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STATE OF MINNESOTA FINANCIAL REPORT

Year Ended June 30, 1979

DEPARTMENT OF FINANCE
309 State Administration Building
St. Paul, Minnesota 55155

STATE OF MINNESOTA

GOVERNOR	Albert H. Quie
LIEUTENANT GOVERNOR	Lou Wangberg
SECRETARY OF STATE	Joan Anderson Growe
STATE TREASURER	James Lord
STATE AUDITOR	Arne H. Carlson
ATTORNEY GENERAL	Warren Spannaus

COMMISSIONER OF FINANCE
Wayne S. Burggraaff

STATE OF MINNESOTA
DEPARTMENT OF FINANCE
309 STATE ADMINISTRATION BUILDING
SAINT PAUL, MINNESOTA 55155

612-296-5900

December 14, 1979

To: Governor Quie and Members of the 71st Legislature

In accordance with the provisions of Minnesota Statutes 16A.50, the Annual Financial Report of the State of Minnesota for the fiscal year ended June 30, 1979, is herein submitted.

In preparing the 1977-78 biennial financial report the Department of Finance initiated efforts to conform with generally accepted accounting principles. In 1979 the Legislature directed the Department of Finance (Law of 1979, Chapter 314) to issue annual rather than biennial financial reports in accordance with generally accepted accounting principles. This annual financial report is the first prepared under the 1979 legislative directive. Along with that directive the Legislature has authorized additional staff resources beginning in fiscal year 1980 for the Department of Finance to improve financial reporting practices.

With the change in financial reporting practices in 1979 and the involvement for the first time of the Legislative Auditor, the publication of the report has been delayed by nearly one month. In future years the report will be published no later than November 15.

For the first time the financial report includes the results from the first comprehensive audit review of the state's financial operations expressed in an opinion from the Legislative Auditor regarding the report's conformance with generally accepted principles. The Legislative Auditor's opinion and the footnotes to the financial statements explain those portions of the financial statements which are not yet in compliance with generally accepted accounting principles.

The Department of Finance is committed to continue to improve its financial reporting practices subject to accounting standards, legislative directives, and available resources.

Sincerely,

Wayne S. Burggraaff

Wayne S. Burggraaff
Commissioner

AN EQUAL OPPORTUNITY EMPLOYER

STATE OF MINNESOTA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 1979

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PURPOSE AND SCOPE

The purpose of this report is to provide financial information on the state government of Minnesota in accordance with the requirements of Minnesota Statutes 16A.50. Also, this report is prepared to meet the disclosure practices and requirements for financial reporting as prescribed by: (1) *Governmental Accounting, Auditing, and Financial Reporting* (GAAFR, 1968) published by the National Committee on Governmental Accounting; (2) the *Industry Audit Guide, Audits of State and Local Governmental Units* (ASLGU, 1974) published by the American Institute of Certified Public Accountants; and (3) the 1979 revisions to GAAFR: *Statement 1. Governmental Accounting and Financial Reporting Principles* and *Statement 2. Grant, Entitlement, and Shared Revenue Accounting and Reporting by State and Local Governments.* Although the revisions to GAAFR are not effective until fiscal year 1981, earlier application was encouraged and we have accordingly incorporated some modifications in this report. These modifications and the basis of accounting are more fully discussed in the footnotes to the financial statements.

This report covers the information resulting from financial operations for the year ended June 30, 1979. The financial statements for the year ended June 30, 1978 are included for comparative purposes and where feasible have been reclassified to conform to the current year presentation.

The introductory section of this report provides general information relating to the policies and administration of the fiscal affairs of the state. The following financial section is comprised of the combining governmental fund financial statements, the general footnotes applicable to most funds, the financial statements of the individual funds and general long-term debt group of accounts with related footnotes, and supplementary schedules. Lastly, the statistical section presents social and economic data of general interest.

The state's funds are classified in either the governmental, proprietary or fiduciary fund category. The governmental fund category is that through which most state functions are financed and is comprised of the general, special revenue, capital project and debt service funds. The proprietary fund category consists of the internal service and enterprise funds and is used to account for activities where net income and capital maintenance are measured, similar to businesses in the private sector. The fiduciary fund category consists of the trust and agency funds that are used to account for assets held by the state in a trustee capacity or as an agent for other governmental units, individuals or other funds.

In addition to the combining financial statements for the governmental funds, the combined schedule of investments and cash balances, and the general footnotes applicable to most funds, the following individual financial statements and related footnotes are presented:

Governmental Funds

Balance Sheet

Statement of Revenues, Expenditures and Changes in Fund Balance

Statements of Budgeted and Actual – for both revenues and expenditures – for those funds from which the Legislature makes direct appropriations.

Fiduciary Funds

Agency Funds:

Statement of Changes in Assets and Liabilities

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Balance Sheet

Statement of Revenues, Expenditures (Expenses for pension trust funds) and Changes in Fund Balance (Net Distribution to Reserves for pension trust funds)

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Statement of Net Assets

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Statement of Participation (and Undistributed Earnings, where applicable)

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Balance Sheet

Statement of Revenues, Expenses and Changes in Retained Earnings

Statement of Changes in Financial Position or

Statement of Source and Use of Funds

General Long-Term Debt Group of Accounts

Statement of Changes in General Long-Term Debt

Schedule of Debt Service for Fiscal Years 1980-1999

All Other Funds

Analysis of Cash Flow

In addition to the above, various supplemental schedules are presented throughout the report.

STATE GOVERNMENT

Minnesota was formally organized as a territory in 1849 and was admitted to the Union on May 11, 1858, as the 32nd state. Minnesota is bordered by Canada on the north, Lake Superior and Wisconsin on the east, Iowa on the south, and North and South Dakota on the west. It is the 12th in area and 19th in population among states.

Minnesota's Constitution organizes state government into three branches: Executive, Legislative and Judicial.

The Executive Branch is headed by the Governor. The Governor, Lt. Governor, Attorney General, State Auditor, State Treasurer, and Secretary of State are popularly elected to four year terms. There are 20 departments and nearly one hundred agencies, boards, councils, and authorities which comprise the Executive Branch. Most departments and agency heads are appointed and serve at the pleasure of the Governor, subject to confirmation by the Senate.

The Legislative Branch is composed of a Senate and a House of Representatives. There are 67 senators who serve 4 year terms. House members number 134 and serve 2 year terms.

The Judicial Branch is headed by a Supreme Court composed of a Chief Justice and 8 Associate Justices. Three levels of courts function within the Judicial Branch: supreme court, district courts, and county courts.

A general organization chart of state government is shown on page 10. This figure displays the various categories of the state's service functions and the organizational units associated with the delivery of the service activities.

FISCAL ADMINISTRATION

The Department of Finance was created in 1973 under the control and supervision of the Commissioner of Finance. The commissioner is designated by statute as the chief accounting officer, the principal financial officer, the state controller and is assigned responsibility for the administration of the financial affairs of the state. Previously, financial responsibilities for state affairs were assigned to various other departments and offices. Included in the financial duties of the commissioner are:

- Preparation of state biennial budget and capital budget
- Maintenance of general books of account and administration of the statewide accounting system including a central disbursement system
- Administration of the state payroll system
- Sale and issuance of state general obligation bonds
- Preparation of periodic and special reports on the financial affairs of the state
- Operation and control of allotment system (annual agency operating budgets)
- Preparation of revenue estimates
- Banking and cash management activities

ACCOUNTING SYSTEM

State law requires the Commissioner of Finance to maintain an accounting system that shows at all times, by funds and items, amounts appropriated and estimated revenues therefor; amounts allotted and available for expenditure; amounts of obligations authorized to be incurred; actual receipts, disbursements and balances on hand; and unencumbered balances after deduction of all actual and authorized expenditures.

In fiscal 1974, by means of a computerized statewide accounting system, the state of Minnesota changed its method of financial reporting from a cash basis to a modified accrual basis for its governmental funds. Under this system, revenues are recorded on a cash basis except for dedicated revenues, which are recorded in the year in which they were earned. Expenditures are recorded on the encumbrance method of accounting.

State law requires the Commissioner of Finance to administer the payroll of all employees of the executive branch of government. In addition, the judiciary has its payroll prepared by the Department of Finance.

The accounting system is organized on a fund basis. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Funds are established for the purpose of carrying on specific activities or objectives in accordance with legal requirements.

CASH MANAGEMENT AND INVESTMENTS

The State Board of Investment, comprised of five of Minnesota's constitutional officers, is responsible for the formulation of state investment policies and for the purchase and sale of securities. Monies from various funds are invested by the staff of the Board according to regulations on types and terms of investments imposed by law on each grouping. The investments are grouped as follows:

- Invested Treasurer's Cash – temporary investment of cash from all funds not immediately needed.
- Highway Funds – temporary investment of bond proceeds and receipts not immediately needed.
- Various retirement funds – investment of assets and reserves.

- Trust Funds – investment of assets and reserves.
- Other departmental funds.

REVENUES

The State of Minnesota derives approximately 70% of its gross revenues from taxes. Of these, the Individual Income Tax and the Sales and Use Taxes have historically represented approximately 60% of total tax revenue.

Individual Income Tax: The Individual Income Tax is the single largest source of tax receipts. It is levied on most income, including wages, salaries, tips, dividends, interest, pensions and annuity payments. Taxable income is determined by subtracting federal tax paid and deductions from gross income.

In calendar year 1978 state law imposed the following graduated rates:

Amounts	Rates
First $500	1.6%
Next $500	2.2%
Next $1,000	3.5%
Next $1,000	5.8%
Next $1,000	7.3%
Next $1,000	8.8%
Next $2,000	10.2%
Next $2,000	11.5%
Next $3,500	12.8%
Next $7,500	14.0%
Next $7,500	15.0%
Next $12,500	16.0%
$40,000 and over*	17.0%

*Effective January 1, 1979, the 17% rate was eliminated, making 16% the highest rate.

Effective January 1, 1979, the brackets shown above will be expanded annually by 85% of the percentage increase in the Minneapolis-St. Paul All-Urban Consumer Price Index.

Minnesota tax liability is reduced by the use of tax credits, including personal, dependent, and low income credits. These credits are subtracted directly from the tax liability. Effective January 1, 1981, these credits will be increased by 100% of the percentage increase in the Minneapolis-St. Paul All-Urban Consumer Price Index.

The 1975 Legislature enacted the Income Adjusted Homestead Credit (circuit breaker) or property tax refund, which provides a refund that depends upon a renter's or homeowner's income and property tax liability.

Sales and Use Taxes: A 4% sales tax is applied to most retail sales with the exception of food, clothing, medicines and drugs. The Use Tax complements the Sales Tax and is imposed on the storage, use or consumption of taxable, tangible personal property in Minnesota. It is primarily intended to cover purchases from out-of-state retailers not required to collect the Sales Tax.

Corporation Income Tax: The net taxable income of corporations doing business in Minnesota is taxed at a rate of 12%. Federal corporation income taxes are not deductible.

Deductions or credits allowed in determining corporate tax liability include credits for dividends received from other corporations.

Multi-state corporations may apportion their income to Minnesota based on a three-factor formula using property, payroll and sales. A corporation may use the average ratio of these factors or a weighted ratio of 15% property, 15% payroll and 70% sales, whichever is lower. This formula encourages Minnesota based manufacturers to expand manufacturing, research and office facilities in the state and provides incentive to sell finished products or services nationwide.

Motor Fuels Taxes: Gasoline and special fuels are taxed at $.09 per gallon. Taxes collected on all fuel sales other than sales of aviation fuels are dedicated to the Trunk Highway, Municipal State Aid Street and County State Aid Highway Funds. Taxes collected on sales of aviation fuels are dedicated to the State Airport Fund.

Gross Earnings Tax: A tax on Minnesota gross earnings is imposed on the following enterprises at the rates shown:

Telephone:	4% or 7% of gross earnings depending on the size of the city where located, or $.30 per telephone connected if yearly gross earnings are less than $1,000
Railroads:*	5%*
Freight Lines:	7%
Express Companies:	5%
Taconite Railroads:	5% of tonnage taconite concentrates
Telegraph Companies:	6%
Insurance Companies:	2% of gross premiums except for variety of rates for special types of insurance or foreign insurers.

In general, the Gross Earnings Tax is in lieu of a local property tax.

Motor Vehicle Excise Tax: Motor vehicle sales, new and used, are exempt from the Sales and Use Tax, but are subject to a 4% Motor Vehicle Excise Tax collected at the time of ownership transfer.

Liquor and Malt Beverage Taxes: Liquor is taxed on a graduated rate schedule according to the alcoholic content of the product. The rate varies from $.27 per gallon to $3.39 per gallon. Beer is taxed at $2.00 per 31-gallon barrel for 3.2% or less alcohol and $3.00 per 31-gallon barrel for over 3.2% alcohol. Liquor and beer sales are also subject to the 4% Sales Tax. (The first 75,000 barrels of beer sold in the state is taxed at the established rate less $2.00 a 31-gallon barrel.)

Cigarette and Tobacco Products Taxes: Cigarettes are taxed at $.18 per package, but are exempt from the Sales Tax. Other tobacco products are taxed at 20% of the wholesale price of the product, and are not exempt from the Sales Tax.

Severance and Tonnage Taxes: These are specialized business taxes that are levied on all minerals mined and include:

- Occupation taxes of 15.5% on the value of iron ore and 15% on taconite, semi-taconite and iron sulfides;
- Production taxes of $1.25 per gross ton of merchantable iron ore concentrate (in 1978 and subsequent years the tax shall be equal to $1.25 multiplied by the steel mill products index during the production year and divided by the index during 1977 with $1.25 per gross ton the least amount charged); and the current rate is increased by 1.6% for each percent of iron content in excess of 62%; and
- Royalty taxes for permission to explore, mine, take out and remove natural iron (15.5%), taconite, semi-taconite and iron sulfide (15%), and copper and nickel (1%).

*Laws enacted by the 1979 state legislature provide for a phase out of the Railroad Gross Earnings tax in favor of local property tax on railroads. During 1979 and 1980, the phase out period, the rate on Railroad Gross Earnings is reduced to 2%.

Motor Vehicle License Tax: Motor vehicles are taxed according to the type or use of the vehicle: passenger car, motorcycle, truck, bus or recreational vehicle. The tax is based on either the value (passenger car) or the gross weight (others) according to a schedule for each type. All revenues are dedicated to the Trunk Highway, Municipal State Aid Street and County State Aid Highway Funds.

Inheritance and Gift Tax: State law imposes a tax on transfers at death due normally within twelve months after the death of the decedent. In determining the taxable value, exemptions are allowed which vary according to the closeness of relationship between the beneficiary and the decedent. Tax rates range from 1.5% to 30%. Gift tax rates also vary with the closeness of the relationship between donor and donee and range from 1.5% to 30%.

Effective for the estates of persons dying after December 31, 1979, the Inheritance and Gift tax is replaced with an estate tax. The effect of this is to exempt many estates that would otherwise be taxed and substantially reduce the tax levied on the remainder.

Bank Excise Tax: Banks are subject to an excise tax measured by their net taxable income, which is determined in the same manner as for corporations, except for specific adjustments for certain investments and dividends. The rate of taxation is 12%, with a minimum tax of $100. This tax is in lieu of all taxes on capital, surplus, property, assets, and shares, except ad valorem taxes imposed upon real property.

Employer's Excise Tax: Taxable compensation paid by most employers was taxed at a rate of 2 mills/dollar of wages paid with an exemption of $250,000 of wages paid after December 31, 1977. This tax was repealed effective July 1, 1978.

Federal Grants and Revenue Sharing: Minnesota receives about 20% of its total gross operating revenues in the form of federal funds. Major federal programs administrated by the state in fiscal 1979 included the Medical Assistance Program and income maintenance programs. Minnesota received $46.8 million from the General Revenue Sharing program in Fiscal 1979.

REVENUE FORECASTING PROCESS

The Department of Finance makes forecasts three times during each legislative session. An initial forecast is made prior to the start of the session. A second forecast is made to provide the legislature with updated estimates before the sessions end. A final forecast is made after the session is over to incorporate the changes that have been enacted by the legislature during the session. The forecast period is two and one-half years for the odd year session, and one and one-half years for the even year session. Forecast information is included in the Fund Statements and Fund Reports issued by the Department of Finance.

BIENNIAL BUDGET PROCESS

In January of odd-numbered years the Governor presents to the Legislature a recommended budget for the biennium commencing the following July 1. The presentation consists of the Governor's budget message, recommendations regarding fiscal policy and a general budget summary which contains supporting schedules and statements that show expenditures and revenue by organizational units, objects/sources, and funds. Any proposed new borrowing or new revenue sources are included, as well as detailed budget estimates of expenditures and revenues.

Minnesota uses a program type budget which combines those items of cost necessary to carry out a particular program at a given level of service. Under this system the costs of new or expanded services are clearly identified.

The process leading to the Governor's recommendations begins with a statement by the Governor of general budget policy and objectives, within which agency heads prepare their requests. Agency requests are then reviewed at open hearings conducted for the Governor by the Department of Finance. Recommended budget figures are then determined consistent with the goals of the administration and availability of revenue.

The Legislature, in turn, conducts its own hearings, accepting or modifying budget figures. When a related appropriations bill is passed, the Governor may accept it or veto it on a total or line-item basis.

Expenditures by state departments in excess of appropriations are prohibited by law. Further, if a probable deficiency is anticipated in the revenues for any appropriation, Minnesota law directs the Commissioner of Finance to prevent a deficit by reducing expenditures.

AUDIT CONTROL PROCEDURES

The Office of the Legislative Auditor is the post audit agency of all state departments, agencies, boards and commissions. The Office of the Legislative Auditor conducts the audits of all accounts, records, inventories, vouchers, receipts, funds, securities, and other assets at least once a year, if funds and personnel permit, and oftener if deemed necessary or as directed by the legislature or the Legislative Audit Commission.

The Department of Finance maintains an internal audit staff which performs periodic audits of the Department of Finance policies and procedures.

COLLECTIVE BARGAINING AGREEMENTS

Approximately 66 percent of state employees are covered by collective bargaining agreements. There are a total of 112 bargaining units, represented by 21 exclusive representatives. Managerial employees are excluded from collective bargaining.

State employees may strike if the Commissioner of Personnel, who is the state's exclusive representative, refuses to submit to arbitration or refuses to accept an arbitration award. However, agreements which establish wages and economic fringe benefits must be submitted to and approved by the state legislature. Certain essential employees may not legally strike under any conditions.

GENERAL OBLIGATION DEBT

The full faith and credit and unlimited taxing powers of the state are pledged for the payment of all general obligation bonds. The outstanding principal and interest due are payable primarily from money appropriated from the general fund for transfer to the debt service fund. Funds are also appropriated from special revenue funds and other revenue sources.

Minnesota's reputation in the national bond market is excellent. State general obligation bonds are rated "triple A" by both Moody's Investors Services and Standard & Poor's Corporation. Credit reports point to Minnesota's favorable debt structure, rapid amortization, stable financial operations and a strong and diversified economy.

AGENCY DEBT

State law creates several public corporations having specific but limited powers of statewide application, and having the power to issue their own debt instruments which may be general obligations or special revenue obligations of the corporation, but which are not general obligations of the state. The following narratives identify these corporations, their borrowing authorizations and purposes, and the nature and amount of their outstanding indebtedness.

The **Minnesota Housing Finance Agency** (MHFA) is authorized by Minnesota statutes, Chapter 462A, to issue its bonds and notes in amounts such that the principal amount outstanding at any time does not exceed:

(a) $225,000,000 issued for the purpose of providing funds for rehabilitation loans, or refunding bonds or notes issued for this purpose, plus

(b) $1,325,000,000 issued for other purposes specified in section 462A.08, which include: (1) purchasing, making or otherwise participating in the making of construction loans and long-term eligible mortgage loans to sponsors of residential housing for occupancy by persons and families of low and moderate income, upon determination by the MHFA that such loans are not otherwise available from private lenders upon equivalent terms and conditions; and (2) purchasing eligible securities the proceeds of which will be utilized for the purpose of residential housing for occupancy by persons and families of low and moderate income.

The MHFA's notes and bonds are general obligations of the MHFA. Under Chapter 462A, the MHFA must annually determine and certify to the Governor for inclusion in the state budget, the amount, if any, needed to restore the debt service reserve fund for each issue of bonds to its debt service reserve requirement. In the opinion of bond counsel and general counsel to the MHFA, the Legislature is legally authorized to appropriate the amount included in the Governor's proposed budget for debt service reserve funds, but is not legally obligated to appropriate such amount. Under Chapter 462A, if such a deficiency is certified, the MHFA is also required to certify to the Governor any anticipated deficiency in the revenues of the following fiscal year, estimated to be available for payment of principal installments and interest due in that year, and the Governor is required to report such an anticipated deficiency to the Legislature.

As of June 30, 1979, the amount of MHFA outstanding notes and bonds is $779,433,900.

The **University of Minnesota**, pursuant to its authority, has sold and issued bonds and notes to finance the construction of buildings and structures needed for the University. The amount of such bonds and notes outstanding as of June 30, 1979, is $47,354,009. The bonds and notes are payable solely from and secured by the full faith and credit of the University.

The **Minnesota Higher Education Coordinating Board** (MHECB) was established by Minnesota Statutes, Sections 136A.01 to 136A.235, passed in 1965. The law authorizes the MHECB to issue revenue bonds and notes to finance federally insured loans for students attending eligible educational institutions. The amount of such bonds outstanding at any time may not exceed $200,000,000. The loans are made and insured in accordance with the Guaranteed Student Loan Program instituted pursuant to Part B of Title IV of the Higher Education Act of 1965 as amended. As of June 30, 1979, the MHECB has $87,970,000 principal amount of bonds outstanding. In addition $100 million of bonds were sold in August 1979. The MHECB has refunded $47,400,000 of these bonds and has deposited cash and securities in escrow for their payment.

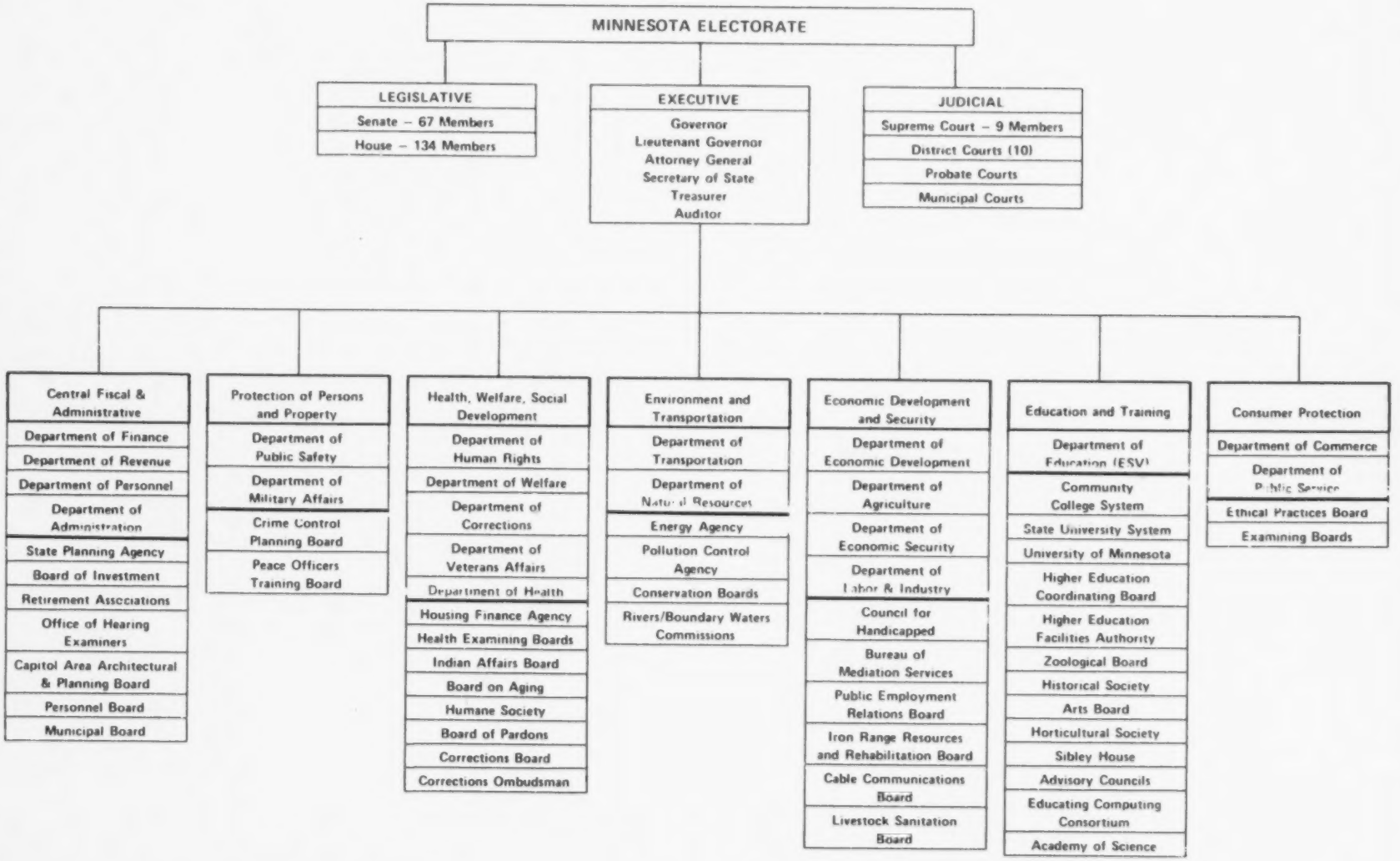
The **Minnesota State University Board** (MSUB) is established and governed by Minnesota Statutes, Chapter 136, which authorizes the MSUB to issue its revenue bonds in the principal amount of $52,800,000 to finance the acquisition, construction, completion, remodeling and equipment of college buildings, including buildings to be used for dormitory, residence hall, student union and food service purposes. All of such bonds have been issued, and as of June 30, 1979, $35,642,000 principal amount is outstanding. Such bonds are payable solely from and secured by an irrevocable pledge of revenues to be derived from the operation of the buildings financed and from fees imposed upon students for student activities, student facilities or other sources.

The **Minnesota Higher Education Facilities Authority** (MHEFA) is established by Minnesota Statutes, Sections 136A.25 to 136A.42, passed in 1971. The law authorizes the MHEFA to issue revenue bonds to finance the acquisition, construction, improvement and remodeling of college buildings and structures to be used solely for or to facilitate nonsectarian educational purposes, and to refinance facilities of this type. The amount of such bonds outstanding at any time may not exceed $100,000,000. As of

June 30, 1979 the MHEFA has $46,170,000 principal amount of bonds outstanding, comprising bonds of twenty-four issues. Each issue is payable solely from and secured by a first lien on the revenues of the project financed, reserve funds and a guarantee of the institution for which the project is financed.

The **Minnesota State Armory Building Commission** (MSABC) is established and governed by Minnesota Statutes, Chapter 193, which authorizes the MSABC to issue its bonds to finance the acquisition, construction, and equipment of armory buildings. The total principal amount of such bonds outstanding at any time may not exceed $4,500,000. As of June 30, 1979, the MSABC has $1,823,750 principal amount of bonds outstanding. The MSABC is required to lease each armory to the state for use by the National Guard and MSABC Naval Militia, upon lease rentals specified by statute. The bonds are payable from ad valorem taxes levied by the county or municipality where the armory is located, state appropriations to pay lease rentals, and rentals or use charges derived from persons or groups other than the state using the armory where such use will not interfere with the state's use.

STATE OF MINNESOTA GENERAL ORGANIZATION CHART



State of Minnesota

OFFICE OF THE LEGISLATIVE AUDITOR

Eldon Stoehr, Legislative Auditor

Willard C. Olson, Deputy Legislative Auditor
Financial Audits Division

Members of the Legislature
Honorable Albert H. Quie, Governor
Wayne S. Burggraaff, Commissioner, Department of Finance

1. Scope of Audit

We have examined the financial statements of the individual funds and General Long-Term Debt Group of Accounts of the State of Minnesota for the fiscal year ended June 30, 1979, as listed in the foregoing table of contents, except for the Pension Trust Funds, as explained in paragraph 3, the budgetary comparative figures, as explained in paragraph 7, and the supplemental schedules as explained in paragraph 8. In addition, we have examined the comparative financial statements for the fiscal year ended June 30, 1978 of the Investment Board administered funds, as shown on pp. 110-122. We did not audit any other comparative financial statements for fiscal year ended June 30, 1978, as explained in paragraph 2. Our examination was made in accordance with generally accepted auditing standards, and except as explained in paragraph 6, included such tests of the accounting records as we considered necessary in the circumstances.

2. Disclaimer of Certain Comparative Financial Statements

We did not audit the comparative financial statements for the fiscal year ended June 30, 1978, except as noted in paragraph 1, and accordingly do not express an opinion on them. The unaudited comparative financial statements include:

- the governmental funds on pp. 43-97
- the fiduciary funds on pp. 101-110 and pp. 123-137
- the Maximum Effort School Loan Fund on pp. 141-142
- and the General Long-Term Debt Group of Accounts on p. 155

3. Pension Trust Funds

Current actuarial data for the Pension Trust Funds shown on pp. 123 to 137 for the fiscal year ended June 30, 1979 was not available for inclusion in the financial statements. We did not examine the financial statements of the aforementioned Pension Trust Funds for the year ended June 30, 1979, and accordingly we do not express an opinion on them. However, we will examine the financial statements of the aforementioned Pension Trust Funds for the year ended June 30, 1979 and express our opinion in separate reports when actuarial data is available.

4. **Financial Statements Excluded**

The state has not maintained complete financial data for the **Revolving Fund, Service Fund, Prison Revolving Fund, General Services Fund,** and **General Fixed Asset Group of Accounts,** and accordingly their financial statements, required by generally accepted accounting principles (GAAP), are not included in this report.

5. **Reporting Entity**

The reporting entity of the State of Minnesota has not been completely determined, and accordingly financial statements for some funds and entities which may be considered to be dependent on the state's legislative or executive branches are not included in this report, as required by GAAP. Funds and entities, which may potentially be included in the state's reporting entity, are discussed in footnote 1.B.

6. **Local Government Information**

Our examination did not attempt to verify the accuracy of the information provided by local units of government. This information is used to calculate various educational and general governmental aids made from the **General Fund.**

7. **Budgetary Data**

The state has presented comparative budgetary data for the **General Fund, Trunk Highway Fund, Game and Fish Fund, State Airports Fund,** and **Highway Users Tax Distribution Fund,** as explained in general footnote 1.M. However, the estimated revenues, as presented, may not necessarily represent original estimates, and insufficient records were maintained for both the appropriations and estimated revenues such that adequate audit procedures could not be applied. Accordingly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the comparative budgetary data presented in these funds. In addition, the state did not present comparative budgetary data for the **Federal Fund, Gift Fund, Special Revenue Fund,** and **Employment Services Administration Fund,** as explained in footnote 1.M. Under the circumstances cited in the footnote, we concur with their decision.

8. **Supplemental Schedules**

The report includes several supplemental statements and schedules in the Financial Section as listed in the foregoing table of contents. Audit tests have been applied to certain of these, as explained below.

A. The annual financial report includes in its financial section a supplemental schedule titled, "Combined Schedule of Investment and Cash Balances," which discloses the relationship between the cash balances of all fund entities and the accounting entity for "Invested Treasurer's Cash." This schedule has been subjected to the tests and other auditing procedures applied in the examination of each fund's financial statements mentioned in preceding paragraphs and, in our opinion, is fairly stated in all material respects in relation to each fund's financial statements taken as a whole.

B. Another supplemental schedule titled, "Expenditures and Encumbrances by Functional Category" for the General Fund was not subjected to sufficient audit procedures and tests, because it was impracticable for us to do so, and therefore we do not express an opinion on this supplemental schedule.

C. Several other supplemental financial schedules and statements included are not necessary for a fair presentation of the financial statements for each of the state's funds and account groups in conformity with generally accepted accounting principles. These schedules have been subjected to the tests and other audit procedures applied in the examination of the state's financial statements mentioned above, and therefore the information presented is qualified for the same reasons as the basic financial statements to which the information relates. These financial statement qualifications are discussed in paragraphs 9 through 20. These schedules and statements are titled:

- Combining Balance Sheet for All Governmental Funds and General Long-Term Debt Group of Accounts,
- Combining Statement of Revenues, Expenditures and Changes in Fund Balance,
- Expenditure by Authorization for the Building Fund,
- Changes in Bonds Authorized and Unissued for both the Building Fund and the Bond Proceeds Fund, and
- General Obligation Debt – Schedule of Debt Service for Fiscal Years 1980-1999.

D. Certain supplemental statements and schedules have not been subjected to sufficient audit procedures and tests to express, and we do not express, an opinion on these supplemental schedules.

- Revenue by Department for the Special Revenue Fund,
- Expenditure by Agency for the General Projects Fund,
- Receipts by Functional Category for the Federal Fund,
- History of the General Obligation Debt for the General Long-Term Debt Group of Accounts, and
- All Other Funds – Analysis of Cash Flow.

E. The accompanying supplemental information in the statistical section of the state's financial report is not necessary for a fair presentation of the financial statements of the various funds and account groups in conformity with generally accepted accounting principles. This information has not been subjected to sufficient audit procedures and tests to express, and we do not express, an opinion on this information in the statistical section.

9. Litigation

Several lawsuits are currently pending against the state, as explained in general footnote 6. Two of the lawsuits filed, concerning the iron ore occupation and production taxes, are claiming very large dollar amounts. In the opinion of the Department of Revenue, it is not possible to place a precise dollar amount on these lawsuits. Also, in their opinion, it will be late 1981 before the occupation tax suit is settled and 1983 before the production tax suit is resolved. Accordingly, we could not determine the effects, if any, that these lawsuits will have on the financial position of the **General Long-Term Debt Group of Accounts.**

10. Fund Misclassifications

The state universities and community colleges are not reported on in compliance with the accounting principles promulgated by the National Association of College and University Business Officers, as required by GAAP. Those college and university activities which are included in the state's reporting entity are presented as explained in footnote 1.C.

11. Revenue Recognition

Revenues are accrued and accounts receivable are approximated as explained in footnote 1.D. This method of recognizing revenue does not comply with GAAP for the following reasons:

A. The state's policy for revenue recognition in the governmental funds is not in compliance with GAAP, which stipulates that all revenue that is 1) measurable and available, and 2) material and not received at the normal time is to be accrued at the end of the fiscal year. Our audit tests indicated that accounts receivable is inaccurate by **at least** the following amounts, due to the state's policy for revenue recognition.

Fund	Effect on Accounts Receivable
General	Understated by $3,100,000 (also see paragraph 11B)
Special Revenue	Understated by $850,000
Federal	Overstated by $8,192,000 (also see paragraphs 11D and 11E)
Agency	Understated by $2,349,000

B. The **General Fund** balance sheet contains taxes receivable and public welfare receivables. As explained in footnote 1.D, these receivables are recorded in memorandum form only, as they are offset by a reservation of fund balance and have no effect on the operating statement. Our audit tests indicated that $23,240,000 of the $32,740,000 public welfare receivables were valid as of June 30, 1979 and should have been recognized on the operating statement and not offset by a reservation of fund balance. The other $9,500,000 of the public welfare receivable represents intrafund receivables due from another General Fund program and should not have been recognized in the financial statements. Additionally, our audit tests indicated that part of the taxes receivable of $45,800,000 represents valid receivables and should have been recognized on the operating statement. However, we were unable to determine the amount of valid receivables since the Department of Revenue, which calculated the receivables figure, does not determine which receivables meet the accrual criteria of GAAP before recording them on their receivable system.

C. The **Maximum Effort School Loan Fund** does not accrue interest receivable at June 30. We estimated this to be approximately $500,000 at June 30, 1979.

D. Revenue from federal grants in the **Federal Fund** and the **Employment Services Administration Fund** is not recognized in accordance with NCGA Statement 2 or any other generally accepted standards. Basically, revenue is recognized on a cash basis. Accrued revenue and accounts receivable at year end are determined by the estimation method described in footnote 1.D, plus an additional derived figure necessary to balance the funds. The derived figure is determined by the fund deficit which arises when all other accruals are estimated. At June 30, 1979 the **Federal Fund** contained an unreserved fund deficit of $26,739,000 and the **Employment Services Administration Fund** contained an unreserved fund deficit of $331,000 after all accruals were estimated. These amounts were added to accounts receivable for the respective funds so that the unreserved fund balances would be zero. This procedure is not in compliance with GAAP. However, we found no evidence as to the validity of the fund deficits which were eliminated. Such deficits are primarily attributable to inaccurate estimates of year-end revenue and expenditure accruals.

E. According to GAAP, revenue received but unearned is to be recognized as deferred revenue until it is earned. The **Federal Fund** contains several grant programs which receive money on an advance basis. These advances should be recognized as deferred revenue until liabilities are incurred for the related expenditures. The state, however, recognizes all grant money as revenue when it is received. That policy is not in compliance with GAAP for federal grants received on an advance basis. Our audit tests indicated that at least $19,474,000 should have been recognized as deferred revenue at June 30, 1979 in the **Federal Fund**.

We could not determine the total effect on revenue for the funds as we were unable to test accruals at the beginning of the fiscal year.

12. Expenditure Recognition

Expenditures are accrued and accounts payable are approximated as explained in footnotes 1.E and 1.F. This method of approximating expenditure accruals does not comply with GAAP for the following reasons:

A. Payables are approximated based on encumbrances which were established before the end of the fiscal year and liquidated before the close of the books in September. Many of the items treated as payables by the aforementioned procedure are improperly recognized because the liability was not yet incurred as of the end of the fiscal year. These items should have been properly classified as encumbrances outstanding, rather than payables on the balance sheet. There is no effect on the operating statement since the state utilizes the encumbrance method of accounting for expenditures. Our audit tests indicated that **at least** the following amounts were misclassified on the balance sheets of the respective funds.

Fund	Overstated Accounts Payable/ Understated Encumbrances Outstanding
General	$5,721,000
Special Revenue	1,448,000
State Airports	103,000
Game and Fish	179,000
Federal	734,000
Employment Services Administration	49,000

B. Our audit tests also indicated certain unrecorded liabilities which were not included in the respective fund's financial statements since they were paid from encumbrances established after June 30, 1979. The liability was incurred for these items and they should have been recognized as payables on the balance sheet and expenditures on the operating statement of the respective funds. We discovered unrecorded liabilities of at least $21,100,000 for the **General Fund** and $8,500,000 for the **Agency Fund.**

C. The **General Projects Fund** and the **Building Fund** are maintained on a cash basis for expenditures. This is not in compliance with GAAP. These capital projects funds should be recognizing liabilities for accounts payable, contracts payable, and retained percentage on contracts payable. The state currently has many construction contracts in progress, thus it was not practical to apply the necessary audit tests to determine the effects of this policy.

D. There are certain items which are established as encumbrances before the end of the fiscal year, for which the liability has been incurred as of the end of the fiscal year, but which are unpaid as of the close of the books in September. Due to the state's estimation procedures, these items are presented as reserve for encumbrances, rather than accounts payable, as required by GAAP. Our audit tests indicated that at least $23,400,000 in the **General Fund** and $1,030,000 in the **Federal Fund** should have been recognized as accounts payable rather than reserve for encumbrances on those funds' balance sheets.

E. Finally, the **Municipal State-Aid Street Fund** and the **County State-Aid Highway Fund**, which are classified as agency funds, estimate accounts payable similarly to the method discussed in paragraph 12A. These two funds, however, utilize unique procedures which result in substantially all expenditure transactions, between the end of the fiscal year and the close of the books in September, being recognized as accounts payable at June 30, 1979. The financial statements of

the Municipal State-Aid Street Fund and the County State-Aid Highway Fund show accounts payable of $4,889,000 and $14,640,000, respectively, as of June 30, 1979. Our audit tests indicated that substantially all of those payables were incorrectly recognized on the financial statements and should not have been accrued at the end of the fiscal year.

We were unable to determine the effects of the previously cited five expenditure accrual problems at the beginning of the fiscal year.

13. Invalid Encumbrances

The state utilizes the encumbrance method of accounting for expenditures in the governmental funds as explained in footnote 1.F. The Department of Finance relies on the various state departments and agencies to certify the amounts of valid outstanding encumbrances as of the end of the fiscal year. These certified amounts are then recorded as reserve for encumbrances on the balance sheets and recognized as expenditures on the operating statements as appropriate. Our audit tests indicated that several agencies were certifying invalid encumbrances to the Department of Finance. These encumbrances were not supported by legal obligations and should have been canceled to the unreserved fund balances of their respective funds. The effects of including these invalid encumbrances on the financial statements are **at least** as follows:

Fund	Overstatement of Reserve for Encumbrances
General	$3,200,000
Special Revenue	649,000
Federal	4,630,000
Employment Services Administration	259,000

Expenditures are overstated by the same amounts on the operating statements of the above funds.

14. Pension Plans Included in the General Fund

As mentioned in the footnotes to the Pension Trust Funds on pp. 123 to 137, the State of Minnesota maintains separate pension plans for constitutional officers and state legislators. These retirement plans, which are accounted for in the General Fund, are each a defined benefit, contributory plan. Benefits for each plan are determined by an appropriate formula using the high five-year average salary and years of membership in the state legislature or service as a constitutional officer. Their contribution rate is set by statute, and the state's contributions to the plan are made on a terminal funding basis. There are approximately 207 active members of these two plans. Actuarial valuations and experience studies have not been performed for these two plans. The present value of earned benefits and the unfunded supplemental liability of these plans based on the present value of benefits for past and future services has not been determined. The effects, if any, on the state's **General Long-Term Debt Group of Accounts** have not been determined.

15. Interfund Transactions

As explained in footnote 1.K, the state attempts to classify and report on interfund transactions in compliance with generally accepted accounting principles. However, the statewide accounting system does not provide the information necessary to accomplish this completely. Although we could not determine the total effect, our audit tests indicated that material amounts are misclassified in the operating statements of the **General Fund, Special Revenue Fund, Highway Users Tax Distribution Fund, Federal Fund, Employment Services Administration Fund,** and **Gift Fund.**

16. **Land Funds**

A. As described in note 1 to the **Permanent School** and **Internal Improvement Land Funds**, 2,516,381 and 6,677 acres, respectively, have not been included as assets of these respective funds. While the value of this land has not been determined, the assets and fund balances of these funds could be materially understated because of the large number of acres involved.

B. Pursuant to a 1974 constitutional amendment, the **Internal Improvement Land Fund** was to be merged with the **Permanent School Fund**. This has not been done because of statutory conflicts on the use of investment earnings, and a legal opinion will be necessary to resolve the legal basis of the **Internal Improvement Land Fund**.

17. **Presentation of the Maximum Effort School Loan Fund**

A. The state did not present an income statement for the **Maximum Effort School Loan Fund** for the year ended June 30, 1979, as required by GAAP for an enterprise fund.

B. The financial statement presented for this fund, titled "Changes in Financial Position" is not a statement of changes in financial position, as prescribed by GAAP. The statement, as presented, does not prominently disclose working capital or cash provided from or used in operations for the period, and it does not appropriately disclose net changes in each element of working capital.

C. The balance sheet contains account balances for loans receivable and bonds payable which have not been separated into their current and noncurrent components. The current amounts, while material, have not been determined.

18. **Financial Presentation for the Central Motor Pool Fund and Micrographics Fund**

The state has presented a statement of changes in financial position for two internal service funds, the **Central Motor Pool Fund** and the **Micrographics Fund**, for the year ended June 30, 1979 which do not comply with GAAP. GAAP requires the statement to prominently disclose working capital or cash provided from or used in operations for the period, and to appropriately disclose net changes in each element of working capital. The statement, as presented, accomplishes neither requirement.

19. **Disclaim Consistency for Certain Funds**

Because of major inadequacies in the **Micrographics Fund** and the **Central Motor Pool Fund** accounting records for the previous year, it was not practicable to extend our auditing procedures to enable us to express an opinion on the consistency of application of accounting principles with the preceding year.

20. **Capital Leases**

The state has not recorded capital leases and installment purchases in the **General Long-Term Debt Group of Accounts**. We are aware of two capital leases and one installment purchase that have future obligations totaling approximately $16,000,000 (includes principal and interest). These agreements should be recorded to properly identify all assets and liabilities of the state.

OPINION PARAGRAPHS ON INDIVIDUAL FUNDS

In our opinion, **except for** the effects of the matters discussed in paragraphs 10, 11A, 11B, 12A, 12B, 12D, 13, and 15, the aforementioned financial statements present fairly the financial position of the **General Fund** of the State of Minnesota at June 30, 1979 and the results of operations for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change in recognizing payables as explained in footnote 2 and discussed in paragraph 12A of our report.

In our opinion, **except for** the effects of the matters discussed in paragraphs 11A, 12A, 13, and 15, the aforementioned financial statements present fairly the financial position of the **Special Revenue Fund** of the State of Minnesota at June 30, 1979 and the results of operations for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change in recognizing payables as explained in footnote 2 and discussed in paragraph 12A of our report.

In our opinion, **except for** the effects of the matter discussed in paragraph 12A, the aforementioned financial statements present fairly the financial position of the **State Airports Fund** of the State of Minnesota at June 30, 1979 and the results of operations for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change in recognizing payables as explained in footnote 2 and discussed in paragraph 12A of our report.

In our opinion, **except for** the effects of the matter discussed in paragraph 12A, the aforementioned financial statements present fairly the financial position of the **Game and Fish Fund** of the State of Minnesota at June 30, 1979 and the results of operations for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change in recognizing payables as explained in footnote 2 and discussed in paragraph 12A of our report.

In our opinion, the aforementioned financial statements **present fairly** the financial position of the **Trunk Highway Fund** of the State of Minnesota at June 30, 1979 and the results of operations for the year then ended in conformity with generally accepted accounting principles. The comparative financial statements presented for fiscal year 1978 are not consistent with those presented for fiscal year 1979 since the state did not restate the 1978 statements for the change in accounting for project encumbrances and federal aid agreements as explained in specific footnote 2 to the Trunk Highway Fund financial statements on p. 69.

In our opinion, the aforementioned financial statements **present fairly** the financial position of the **Highway Users Tax Distribution Fund** of the State of Minnesota at June 30, 1979 and, **except for** the effects of the matter discussed in paragraph 15, the results of operations for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change in recognizing payables as explained in footnote 2 and discussed in paragraph 12A of our report.

In our opinion, because of the effects of the matters discussed in paragraphs 10, 11A, 11D, 11E, 12A, 12D, 13, and 15, the aforementioned financial statements **do not present fairly** the financial position of the **Federal Fund** of the State of Minnesota at June 30, 1979 or the results of operations for the year then ended in conformity with generally accepted accounting principles.

In our opinion, **except for** the effects of the matters discussed in paragraphs 11D, 12A, 13, and 15, the aforementioned financial statements present fairly the financial position of the **Employment Services Administration Fund** of the State of Minnesota at June 30, 1979 and the results of operations for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change in recognizing payables as explained in footnote 2.

In our opinion, **except for** the effects of the matter discussed in paragraphs 10 and 15, the aforementioned financial statements present fairly the financial position of the **Gift Fund** of the State of Minnesota at June 30, 1979 and the results of operations for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change in recognizing payables as explained in footnote 2 and discussed in paragraph 12A of our report.

In our opinion, because of the effects of the matters discussed in paragraphs 10 and 12C, the aforementioned financial statements **do not present fairly** the financial position of the **General Projects Fund** of the State of Minnesota at June 30, 1979 or the results of operations for the year then ended in conformity with generally accepted accounting principles.

In our opinion, the aforementioned financial statements **present fairly** the financial position of the **Transportation Fund** of the State of Minnesota at June 30, 1979 and the results of operations for the year then ended in conformity with generally accepted accounting principles. The comparative financial statements presented for fiscal year 1978 are not consistent with those presented for fiscal year 1979 since the state did not restate the 1978 statements for the change in accounting for project encumbrances and federal aid agreements as explained in specific footnote 1 to the Transportation Fund financial statements on p. 88.

In our opinion, because of the effects of the matters discussed in paragraphs 10 and 12C, the aforementioned financial statements **do not present fairly** the financial position of the **Building Fund** of the State of Minnesota at June 30, 1979 or the results of operations for the year then ended in conformity with generally accepted accounting principles.

In our opinion, the aforementioned financial statements **present fairly** the financial position of the **Bond Proceeds Fund** of the State of Minnesota at June 30, 1979 and the results of operations for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the changes, with which we concur, in fund structure as explained in footnote 2 and the accounting for bonds authorized and unissued as explained in specific footnote 3 to the Bond Proceeds Fund.

In our opinion, the aforementioned financial statements **present fairly** the financial position of the **Debt Service Fund** of the State of Minnesota at June 30, 1979 and the results of operations for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in accounting for required debt service transfers as explained in footnote 3.

In our opinion, **except for** the effects of the matters discussed in paragraphs 10, 11A, and 12B, the aforementioned financial statements present fairly the financial position of the **Agency Fund** of the State of Minnesota at June 30, 1979 and the changes in assets and liabilities for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change in recognizing payables as explained in footnote 2 and discussed in paragraph 12A of our report.

In our opinion, **except for** the effects of the matter discussed in paragraph 12E, the aforementioned financial statements present fairly the financial position of the **Municipal State-Aid Street Fund** of the State of Minnesota at June 30, 1979 and the changes in assets and liabilities for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in generic fund classification from a Special Revenue Fund to an Agency Fund and the format of presentation as explained in footnote 2.

In our opinion, **except for** the effects of the matter discussed in paragraph 12E, the aforementioned financial statements present fairly the financial position of the **County State-Aid Highway Fund** of the State of Minnesota at June 30, 1979 and the changes in assets and liabilities for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in generic fund classification from a Special Revenue Fund to an Agency Fund and the format of presentation as explained in footnote 2.

In our opinion, the aforementioned financial statements **present fairly** the financial position of the **Disbursement Clearing Fund** of the State of Minnesota at June 30, 1979 and the changes in assets and liabilities for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in presenting investment income of the Invested Treasurer's Cash Account as explained in footnote 2.

In our opinion, the aforementioned financial statements **present fairly** the financial position of the **Endowment School Fund** of the State of Minnesota at June 30, 1979 and the results of operations for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in accounting for amortization of investment losses as explained in footnote 2.

In our opinion, **except for** the effects of the matter discussed in paragraph 16, the aforementioned financial statements present fairly the financial position of the **Internal Improvement Land Fund** of the State of Minnesota at June 30, 1979 and the results of operations for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in accounting for the investment income of the fund as explained in footnote 2.

In our opinion, **except for** the effects of the matter discussed in paragraph 10, the aforementioned financial statements present fairly the financial position of the **Endowment Fund** of the State of Minnesota at June 30, 1979 and the results of operations for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change in recognizing payables as explained in footnote 2 and discussed in paragraph 12A of our report.

In our opinion, **except for** the effects of the matter discussed in paragraph 16, the aforementioned financial statements present fairly the financial position of the **Permanent School Fund** of the State of Minnesota at June 30, 1979 and the results of operations for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in accounting for the amortization of investment losses as explained in footnote 2.

In our opinion, the aforementioned financial statements **present fairly** the assets, liabilities, and participation of the **Minnesota Supplemental Retirement Fund**, which includes the Income, Growth, and Fixed Return Accounts, **Minnesota Variable Annuity Fund**, and the **Minnesota Adjustable Fixed Benefit Fund** as of June 30, 1978 and 1979, and the changes in net assets including results of investments for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

In our opinion, because of the effects of the matters discussed in paragraphs 11C and 17, the aforementioned financial statements **do not present fairly** the financial position of the **Maximum Effort School Loan Fund** of the State of Minnesota at June 30, 1979 or the results of operations for the year then ended in conformity with generally accepted accounting principles.

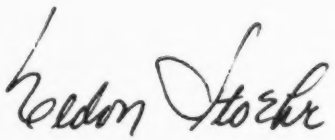
In our opinion, the aforementioned financial statements **present fairly** the financial position of the **Computer Services Fund** of the State of Minnesota at June 30, 1979 and the results of its operations and changes in its financial position for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis.

In our opinion, **except that** the omission of a statement of changes in financial position, prepared in compliance with GAAP, results in an incomplete presentation as explained in paragraph 18, the aforementioned financial statements present fairly the financial position of the **Micrographics Fund** of the State of Minnesota at June 30, 1979 and the results of operations for the year then ended in conformity with generally accepted accounting principles.

In our opinion, **except that** the omission of a statement of changes in financial position, prepared in compliance with GAAP, results in an incomplete presentation as explained in paragraph 18, the aforementioned financial statements present fairly the financial position of the **Central Motor Pool Fund** of

the State of Minnesota at June 30, 1979 and the results of operations for the year then ended in conformity with generally accepted accounting principles.

In our opinion, **except for** the effects of the matter discussed in paragraph 20, and **subject to** the effects, if any, of the matters discussed in paragraphs 9 and 14, the aforementioned financial statements present fairly the financial position of the **General Long-Term Debt Group of Accounts** of the State of Minnesota at June 30, 1979 in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in accounting for the long-term debt of the Maximum Effort School Loan Fund as explained in footnote 2.



Eldon Stoehr
Legislative Auditor

October 31, 1979

STATE OF MINNESOTA

ALL GOVERNMENTAL FUNDS AND GENERAL LONG-TERM DEBT GROUP OF ACCOUNTS COMBINING BALANCE SHEET JUNE 30, 1979 (000's Omitted)

		SPECIAL REVENUE FUNDS				
	General Fund	Special Revenue Fund	State Airport Fund	Game and Fish Fund	Trunk Highway Fund	Highway Users Tax Distribution Fund
ASSETS						
Cash	$435,895	$36,327	$ 83	$5,932	$ (4,325)	$6,099
Imprest Cash	644	3		18	21	2
Investments (1979 market value of $232,464)	1,466	17,932	9,538		120,991	
Accounts Receivable	4,052	936	282		2,130	
Due from Other Funds	19,920			239	249	
Accrued Investment Income	9,625	585	313		3,253	
Federal Aid Receivable					5,140	
Taxes Receivable	45,800					
Public Welfare Receivables	32,740					
Pay Advances from FHWA					14,233	
Inventory					12,223	
Loans Receivable	1,062		1,663			
Prepaid Expenses	25					
Bonds Authorized and Unissued						
Advances to Other Funds			50		74	
Amount Available in Debt Service Fund						
Amount to be Provided for General Long-Term Debt:						
General Fund						
State Airports Fund						
Trunk Highway Fund						
Employment Services Fund						
Total Assets	$551,229	$55,783	$11,929	$6,189	$153,989	$6,101
LIABILITIES AND FUND BALANCE						
Liabilities:						
Warrants Payable	$ 2,253	$ 172	$ 4	$ 49	$ 3,430	$
Salaries Payable	21,721	189		670	3,943	94
Accounts Payable	50,326	4,103	941	918	7,947	528
Advances from FHWA					14,233	
Payable to Other Funds	77,434	3,066	494	147	13,915	2,489
Advances from Other Funds					50	
Loans Payable						
Bonds Payable						
Total Liabilities	$151,734	$ 7,530	$ 1,439	$1,784	$ 43,518	$3,111
Fund Balance:						
Reserved:						
Reserved for Encumbrances	$ 62,224	$10,985	$ 7,390	$ 999	$ 11,013	$ 682
Reserved for Receivables	78,540					
Reserved for Advances			50		74	
Reserved for Bonds Authorized and Unissued						
Reserved for Capital Projects						
Other Reserves			2,050		78,112	
Total Reserved Fund Balance	$140,764	$10,985	$ 9,490	$ 999	$ 89,199	$ 682
Unreserved:						
Restricted for Appropriation Carryover	$ 24,245	$37,268	$ 230	$	$ 17,367	$2,308
Restricted for Debt Service						
Unrestricted	234,486		770	3,406	3,905	
Total Unreserved Fund Balance	$258,731	$37,268	$ 1,000	$3,406	$ 21,272	$2,308
Total Fund Balance	$399,495	$48,253	$10,490	$4,405	$110,471	$2,990
Total Liabilities and Fund Balance	$551,229	$55,783	$11,929	$6,189	$153,989	$6,101

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

ALL GOVERNMENTAL FUNDS AND GENERAL LONG-TERM DEBT GROUP OF ACCOUNTS COMBINING BALANCE SHEET JUNE 30, 1979 (000's Omitted)

SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUNDS						
Federal Fund	Employment Services Administration Fund	Gift Fund	General Fund Projects Fund	Transportation Fund	Building Fund	Bond Proceeds Fund	Debt Service Fund	General Long-Term Debt Group of Accounts	Totals (Memorandum Only)
$28,817	$ 219	$ 995	$10,400	$23,393	$ (1,622)	$ 645	$ 6,523	$	$ 549,381
10	5								703
		662			68,344	8,037			226,970
57,780	1,786	59							67,025
	98		796				96,618		117,920
		6					1,191		14,973
				2,410					7,550
									45,800
									32,740
									14,233
									12,223
84								17,135	19,944
2	4								31
					159,984	74,000			233,984
									124
								59,988	59,988
								646,430	646,430
								1,340	1,340
								80,346	80,346
								1,235	1,235
$86,693	$2,112	$1,722	$11,196	$25,803	$226,706	$82,682	$104,332	$806,474	$2,132,940
$ 552	$ 7	$ 1	$	$	$ 213	$	$	$	$ 6,681
1,703	1,004	11							29,335
29,544	391	267		3,823		27			98,815
									14,233
13,914	233						149		111,841
									50
								5,806	5,806
								800,668	800,668
$45,713	$1,635	$ 279	$	$ 3,823	$ 213	$ 27	$ 149	$806,474	$1,067,429
$40,980	$ 477	$ 353	$	$ 5,391	$	$	$	$	$ 140,494
									78,540
									124
					159,984	74,000			233,984
			11,196		66,509	8,655			86,360
									80,162
$40,980	$ 477	$ 353	$11,196	$ 5,391	$226,493	$82,655	$	$	$ 619,664
$	$	$1,090	$	$16,589	$	$	$	$	$ 99,097
							104,183		104,183
									242,567
$	$	$1,090	$	$16,589	$	$	$104,183	$	$ 445,847
$40,980	$ 477	$1,443	$11,196	$21,980	$226,493	$82,655	$104,183	$	$1,065,511
$86,693	$2,112	$1,722	$11,196	$25,803	$226,706	$82,682	$104,332	$806,474	$2,132,940

NOTES

STATE OF MINNESOTA

ALL GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 1979
(000's Omitted)

		SPECIAL REVENUE FUNDS				
	General Fund	Special Revenue Fund	State Airport Fund	Game and Fish Fund	Trunk Highway Fund	Highway Users Tax Distribution Fund
Revenues:						
Taxes	$3,179,858	$	$ 7,566	$	$	$342,178
Reciprocity Income	26,060					
Federal Grants	3,428	224		4,359	110,483	
Intergovernmental Revenue	22,850	341				
Departmental Earnings	146,905	14,997	2	14,087	14,283	1,666
Revenue from Use of Property	3,171	4,409		157	1,646	
Agency Deposits	1,348					
Investment Income	32,246	1,046	869		10,459	
Gifts, Donations, Bequests						
General Obligation Bonds						
Accrued Interest on Bonds						
Premiums on Bonds						
Other Revenue	15,871	2,479	3	239	1,398	1
Gross Revenue	$3,431,737	$23,496	$ 8,440	$18,842	$138,269	$343,845
Less Revenue Refunds	(269,351)	(1,509)	(1,308)	(132)	(104)	(11,855)
Net Revenue	$3,162,386	$21,987	$ 7,132	$18,710	$138,165	$331,990
Other Financing Sources	80,982	21,473	689	1,061	267,449	97
Total Sources	$3,243,368	$43,460	$ 7,821	$19,771	$405,614	$332,087
Expenditures and Encumbrances:						
Current:						
Personal Services	$ 401,379	$ 5,733	$	$11,206	$120,228	$ 2,932
Purchased Services	321,347	4,119	223	1,632	24,548	1,984
Materials and Supplies	31,119	591	20	1,224	21,511	1,786
Aids to Individuals	145,226					
Grants and Subsidies	2,079,805	13,672	6,724	216	437	5
Redistributed Costs	(1,599)	791				
Capital Outlay:						
Equipment	8,806	1,466	336	972	8,096	23
Real Property	4,433	4,748	22	598	258,286	
Debt Redemption	90					
Reimbursement Transfers to Other Funds		454	999	251	1,177	1,871
Total Expenditures and Encumbrances	$2,990,606	$31,574	$ 8,324	$16,099	$434,283	$ 8,601
Less: Project Encumbrances					(196,728)	
Less: Reimbursements from Other Funds	(42,166)				(1,978)	
Net Expenditures and Encumbrances	$2,948,440	$31,574	$ 8,324	$16,099	$235,577	$ 8,601
Other Financing Uses	181,305	10,443	1,189		218,492	323,451
Total Uses	$3,129,745	$42,017	$ 9,513	$16,099	$454,069	$332,052
Net Change in Fund Balance:						
Unreserved:						
From Operations	$ 113,623	$ 1,443	$(1,692)	$ 3,672	$(48,455)	$ 35
Reserved:						
From Operations						
Other Changes (Net)	$ 9,826	$ 6,046	$ 1,630	$ (314)	$(59,959)	$ 616
Net Change in Reserved Fund Balance	$ 9,826	$ 6,046	$ 1,630	$ (314)	$(59,959)	$ 616
Total Changes in Fund Balance	$ 123,449	$ 7,489	$ (62)	$ 3,358	$(108,414)	$ 651
Fund Balance, July 1, 1978	276,046	40,764	10,552	1,047	218,885	2,339
Fund Balance, June 30, 1979	$ 399,495	$48,253	$10,490	$ 4,405	$110,471	$ 2,990

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

ALL GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 1979
(000's Omitted)

SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUNDS					
Federal Fund	Employment Services Administration Fund	Gift Fund	General Fund Projects Fund	Transportation Fund	Building Fund	Bond Proceeds Fund	Debt Service Fund	Totals (Memorandum Only)
$	$	$	$	$	$	$	$	$3,529,602
								26,060
789,209	30,399							938,102
112	1,239							24,542
5,656								197,596
								9,383
							1,313	2,661
		58				22	3,620	48,320
		955						955
				12,000	60,000	15,000		87,000
							152	152
							49	49
1,434	15	230		2		8	346	22,026
$796,411	$31,653	$1,243	$	$ 12,002	$ 60,000	$15,030	$ 5,480	$4,886,448
(654)		(14)						(284,927)
$795,757	$31,653	$1,229	$	$12,002	$ 60,000	$15,030	$ 5,480	$4,601,521
14,513	720	296	3,037	9,914	9	307	192,571	593,118
$810,270	$32,373	$1,525	$ 3,037	$21,916	$ 60,009	$15,337	$198,051	$5,194,639
$ 45,209	$26,490	$ 278	$ 165	$	$ 1,278	$	$	$ 614,898
285,613	3,885	570	569		4,043		53	648,586
2,514	354	243	41		258			59,661
								145,226
381,483	913	122	1,863	23,375	25,297	12,393		2,546,305
1,110		20			5			327
2,264	167	48	271		400			22,849
4,893		557	2,857	12	30,750	239		307,395
							99,766	99,856
37,747								42,499
$760,833	$31,809	$1,838	$ 5,766	$23,387	$ 62,031	$12,632	$ 99,819	$4,487,602
								(196,728)
								(44,144)
$760,833	$31,809	$1,838	$ 5,766	$23,387	$ 62,031	$12,632	$ 99,819	$4,246,730
49,437	564	7	334	14,359	1,171			800,752
$810,270	$32,373	$1,845	$ 6,100	$37,746	$ 63,202	$12,632	$ 99,819	$5,047,482
$	$	$ (320)	$	$(15,830)	$	$	$ 98,232	$ 150,708
			$ (3,063)		$ (3,193)	$ 2,705		$ (3,551)
$ 2,580	$ 278	$ (211)		$(29,965)	18,789	(15,343)		(66,027)
$ 2,580	$ 278	$ (211)	$ (3,063)	$(29,965)	$ 15,596	$(12,638)	$	$ (69,578)
$ 2,580	$ 278	$ (531)	$ (3,063)	$(45,795)	$ 15,596	$(12,638)	$ 98,232	$ 81,130
38,400	199	1,974	14,259	67,775	210,897	95,293	5,951	984,381
$ 40,980	$ 477	$1,443	$11,196	$21,980	$226,493	$82,655	$104,183	$1,065,511

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

ALL FUNDS

COMBINED SCHEDULE OF INVESTMENTS AND CASH BALANCES

JUNE 30, 1978 and 1979

(000's Omitted)

Funds	(Unaudited) 1978 Investments Cost	1978 Investments Market Value	1978 Cash Balance	1979 Investments Cost	1979 Investments Market Value	1979 Cash Balance
General Fund	$ 1,356	$ 1,367	$281,491	$ 1,466	$ 1,484	$435,895
Special Revenue Funds	155,676	158,014	86,460	149,123	153,267	74,147
Capital Project Funds	74,783	76,430	64,627	76,381	77,707	32,815
Debt Service			4,402			6,523
Trust and Agency Funds	2,796,294	2,697,964	66,987	3,179,172	3,124,419	92,947
Enterprise Funds	10,013	10,262	11,525	19,184	19,701	6,376
Internal Service Funds			5,507			5,929
Invested Treasurers Cash	513,911	519,388	(513,775)	645,560	655,185	(643,758)
Total Investments and Cash Balance	**$3,552,033**	**$3,463,425**	**$ 7,224**	**$4,070,886**	**$4,031,763**	**$ 10,874**

STATE OF MINNESOTA
GENERAL FOOTNOTES TO THE FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

1.A. Basis of Presentation

Except as noted below and in the following footnotes, the accounting policies for the State of Minnesota as reflected in the accompanying financial statements for the fiscal years ended June 30, 1978 and 1979 have been prepared to conform substantially to generally accepted accounting principles (GAAP) as prescribed by the National Council on Governmental Accounting (NCGA) in their March, 1979 publications of *Statement 1. Government Accounting and Financial Reporting Principles* and *Statement 2. Accounting for Grants, Entitlements and Shared Revenues to State and Local Governmental Units.* These statements are not effective until fiscal year 1981, but earlier application is encouraged. Due to time constraints, it was not possible to make the systems, policy, and procedural changes necessary to fully implement the NCGA's Statements 1 and 2. Where practicable, as noted in the following footnotes, the statements have been prepared to conform substantially to generally accepted accounting principles as prescribed by the NCGA's predecessor publication, *Government Accounting, Auditing and Financial Reporting* (GAAFR) and the American Institute of Certified Public Accountants' publication of the *Industry Audit Guide — Audits of State and Local Governmental Units.* The more significant accounting principles applicable to all funds are summarized below. These general footnotes are supplemented by specific footnotes unique to an individual fund which are presented with the respective fund financial statements.

1.B. Financial Reporting Entity of the State of Minnesota

Generally accepted accounting principles (GAAP) require that all funds or entities which are controlled by or dependent on the state's executive or legislative branches must be included in the scope of the state's financial report. Financial statements are not presented for all such funds or entities because either: (1) financial records maintained to prepare financial statements are not consistent with GAAP at this time, or (2) they have traditionally been excluded from the reporting scope. Efforts are underway to more clearly define the state's reporting responsibilities.

In reference to (1) above, these funds are the:

A.) **Enterprise Fund (Revolving Fund)** – This fund is comprised of many self-sustaining activities maintained by various departments and agencies.

B.) **Service Fund** – This fund consists primarily of the federal surplus property program.

C.) **Prison Revolving Fund** – This fund consists of various enterprise activities.

D.) **General Services Fund** – This fund is comprised of various internal service activities.

A cash flow analysis on these funds is presented in a supplemental schedule on page 161.

Several funds and entities which are not included in this report operate at least partially through the statewide accounting system, and their inclusion in the annual report is pending the determination of the state's reporting responsibilities. A cash flow analysis is also presented for these funds and entities in the supplemental schedule on page 161. These funds and entities are:

1) **Minnesota Housing Finance Agency** – This separate public corporation sells revenue bonds and receives direct appropriations to finance loans for housing to low and moderate income families. The agency prepares its own financial statements which are audited by a Certified Public Accounting (C.P.A.) firm.

2) **Higher Education Coordinating Board Student Loan Fund** – The Higher Education Coordinating Board (HECB) sells revenue bonds to finance loans to students attending higher educational institutions. HECB prepares the fund's financial statements which are audited by a C.P.A. firm.

3) **The Public Employees Retirement Association Funds** – The Public Employees Retirement Association (PERA) is administered by a Board of Directors elected by its members. Membership consists of various groups of employees working for local units of government that participate in PERA. PERA maintains the pension funds financed by contributions from its members and their employers. PERA prepares financial statements for its funds which are audited by the Legislative Auditor.

4) **The Teachers Retirement Association Funds** – The Teachers Retirement Association (TRA) is administered by a Board of Directors elected by its members. Membership consists of teachers working for state and local schools. TRA maintains the pension funds financed by contributions from its members and by state appropriations. TRA prepares financial statements for its funds which are audited by the Legislative Auditor.

5) **The Permanent University Fund** – This trust fund was established by the Minnesota constitution. The trust corpus consists of land maintained by the Department of Natural Resources and investments maintained by the University of Minnesota. Any income from the corpus is distributed to the University of Minnesota and is included in the University of Minnesota's financial statements which are audited by a C.P.A. firm.

Several funds or entities which are maintained outside the state treasury could conceivably be included in the state's reporting scope. No financial data is presented for these funds and entities in this report. The most significant of these funds and entities are described below:

1) **The University of Minnesota** – The University of Minnesota was established by the Territorial Laws of 1851. It is administered by a Board of Regents which is elected by the state legislature. Approximately one-third of the University's support is provided by state appropriations.

2) **State Historical Society** – The State Historical Society is a corporate body established in 1849 by the Legislative Assembly of the Territory of Minnesota. The majority of the Society's support is provided by state appropriations which are audited by the Legislative Auditor. The remainder of their support, from private and federal sources, is audited by a C.P.A. firm.

3) **The State University Revenue Bond Fund** – The State University Board sells revenue bonds to finance construction of student residence halls, dormitories, dining halls, student union buildings or similar revenue-producing buildings at the state universities. The fund is audited by the Legislative Auditor.

4) **The Higher Education Facilities Authority Revenue Bond Fund** – The Higher Education Facilities Authority sells revenue bonds to finance construction loans to private higher education institutions in the state. The authority prepares financial statements which are audited by a C.P.A. firm.

5) **The Unemployment Trust Fund** – This fund is maintained by the Department of Economic Security, which interacts with the federal government and employees to pay unemployment benefits. The activities of the fund are audited by the Legislative Auditor and the federal government on an alternate basis.

6) **State University Activity Funds and Community College All College Funds** – Each state university and community college maintains accounts outside the statewide accounting system for various federal and student programs. These activities are audited by the Legislative Auditor.

1.C. Classification of Funds

Individual funds have been established as stipulated by legal provisions or by administrative discretion. The nature of the individual funds is explained on the divider pages preceding the governmental, fiduciary and proprietary fund statements and schedules.

College and university fund structure and accounting principles are prescribed by the National Association of College and University Business Officers in their publication *College and University Business Administration* (CUBA). Except for certain activities discussed in Note 1.B., the state currently does not report the activities of the state universities and community colleges within the CUBA fund structure (the University of Minnesota utilizes the CUBA fund structure in their separately issued report). These college/university activities, as established in the statewide accounting system and reported herein, are accounted for within the closest counterpart fund within the GAAFR fund structure. These funds and the approximate percentage of college/university assets, liabilities, revenues and expenditures reported in the existing financial statements are: General Fund (1-2%); Federal Fund (1-2%); Gift Fund (20-33%); General Project Fund (13-14%); Building Fund (38%); Agency Fund (1-2%) and the Endowment Fund (60%). The Gift and Endowment Funds present the college/university activities separately in a columnar format.

With the exception of the college/university funds and activities noted above, the funds presented are classified according to the categories stipulated by generally accepted accounting principles as follows:

1) The governmental funds account for the acquisition, use and balances of expendable financial resources and the related current liabilities. Most state operations are accounted for in this fund category which is comprised of the general, special revenue, capital project, and debt service generic fund types described as follows:

   a. **GENERAL FUND** – To account for all financial resources except those required to be accounted for in another fund.

   b. **SPECIAL REVENUE FUNDS** – To account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specific purposes.

   c. **CAPITAL PROJECTS FUNDS** – To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

   d. **DEBT SERVICE FUNDS** – To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

2) Proprietary Funds account for all assets, liabilities and equities and match revenues and expenses to determine net income and capital maintenance. The generic fund types included in the proprietary fund category are:

   a. **ENTERPRISE FUNDS** – To account for operations: (1) that are financed and operated in a manner similar to private business enterprises and where the intent of the state is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the state has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

   b. **INTERNAL SERVICE FUND** – To account for the financing of goods or services provided by one state agency to another state agency, or to other governmental units, on a cost-reimbursement basis.

3) Fiduciary funds or the trust and agency funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Depending on their nature, trust funds are classified for accounting measurement purposes like governmental (expendable trust funds) or proprietary (nonexpendable trust and pension trust funds) funds. Agency funds are purely custodial; thus, they do not measure results of operations.

1.D. Bases of Accounting

The proprietary fund types are maintained on the accrual basis of accounting. The governmental funds are maintained on a modified accrual basis of accounting except the Building and General Fund Project Funds (see pp. 86 and 92). The modified accrual basis utilized by the state substantially conforms to generally accepted accounting principles (GAAP).

Revenue: Revenues are recorded on a cash basis except that dedicated revenues are recorded in the same year as the encumbrances have been entered. GAAP recommends the accrual of measurable and available revenues and those which are material and not received at the normal time of receipt. However, taxes receivable and Public Welfare receivables in the General Fund are not recognized as revenues. These General Fund receivables are shown on the balance sheet as assets and are offset by a reserve, thus having no effect on the unreserved fund balance. These receivables are included as estimated revenues for the subsequent fiscal years for budgetary purposes.

Expenditures: The state utilizes the encumbrance method of accounting for expenditures consistent with the *Industry Audit Guide — Audits of State and Local Governmental Units* published by the American Institute of Certified Public Accountants. This means that unliquidated encumbrances, which have been certified by the agencies, are recognized as expenditures.

Expenditures reported are those which relate to encumbrances established during the current fiscal year and which are paid between the beginning of the fiscal year and the closing of the books plus unliquidated encumbrances as discussed above. (See also Note 1.F.) Expenditures occurring during the current fiscal year which pertain to encumbrances established in prior years are not reported on the operating statement because they were previously recognized as expenditures consistent with the encumbrance method of accounting.

1.E. Accounts Payable – Governmental Funds

The state currently does not have a positive reporting system for accounts payable at the end of the fiscal year as defined by GAAP (i.e., liabilities incurred for which the goods and services have been received as of the balance sheet date). Accounts payable are approximated at the end of the fiscal year by accruing expenditures made between the end of the fiscal year and the September closing that relate to that fiscal year and previous years' encumbrances. These approximations may or may not include all liabilities for which goods or services have been received as of the balance sheet date.

1.F. Encumbrances – Governmental Funds

As was previously stated, the state utilizes the encumbrance method of accounting for expenditures in the governmental funds. Encumbrances generally can be classified as follows:

1) Period encumbrances are associated with current activities which are to be financed by resources which already exist or those which are collected during the current period.

2) Project encumbrances are associated with long-term activities which are ordinarily financed by resources to be collected in future periods.

Under the statewide accounting system, an encumbrance must be established before an expenditure can be paid. Encumbrances reported on the financial statements are not necessarily supported by a contract or other legal commitment, because they are often established at the requisition point or when a department initiates action toward a legal commitment. For financial reporting purposes, only period encumbrances are recognized in the financial statements and any material project encumbrances are disclosed in the footnotes.

1.G. Fixed Assets/Depreciation

Fixed assets in the proprietary funds are stated at cost and are depreciated over their estimated useful lives on a straight line basis (see footnotes to the individual fund financial statements). Currently, the state does not have an updated General Fixed Asset Group of Accounts to prepare the financial statements required. For control purposes, a centralized fixed asset system is maintained by the Materials Management Division within the Department of Administration.

1.H. Inventory Valuation

With the exception of some of the proprietary funds, disbursements for inventories are considered expenditures at the time of purchase. The inventory pricing methods for the proprietary funds are disclosed in the footnotes of the individual fund financial statements.

1.I. Cash and Investments

Where Minnesota Statutes permit, individual fund's cash is invested through the State Board of Investment. All cash not invested by the individual funds is pooled and invested as the State Treasurer's "Invested Treasurer's Cash", and all interest earnings are credited to the General Fund pursuant to Minnesota Statutes 11.10. Interest earnings credited to the General Fund for fiscal year 1978 and 1979 were $22,854,286 and $32,087,443, respectively. See supplemental schedule of cash and investment balances on page 30. The Invested Treasurer's Cash is also used to provide the General Fund with temporary cash flow when necessary.

1.J. Investments/Accrued Investment Income

Investments are stated at amortized cost for all funds except the Minnesota Supplemental Retirement Fund's Growth Share Account and Income Share Accounts (see the footnotes with the individual fund's financial statements). Cost approximates market value, which is disclosed parenthetically on the June 30, 1979 balance sheets. Investment income has been accrued as of the balance sheet date.

1.K. Interfund Transactions

Most transactions between funds are accounted for in compliance with GAAP. However, certain transactions between funds arise when a warrant is sent by one state activity to another. These transactions are accounted for as if they were quasi-external transactions (see below) regardless of the appropriate classification according to GAAP. This is due to these transactions not being uniquely identified by the statewide accounting system such that they can be properly classified. The Department of Finance is currently defining policies with respect to interdepartmental warrants. Interfund transactions are classified, as follows, according to GAAP:

1) **QUASI-EXTERNAL TRANSACTIONS** – are treated as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

2) **REIMBURSEMENTS** – are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenses or expenditures in the reimbursed fund.

3) **RESIDUAL EQUITY TRANSFERS** – are nonrecurring or nonroutine transfers of equity between funds. These are reported as additions to or deductions from the appropriate beginning equity account.

4) **OPERATING TRANSFERS** – are all interfund transfers other than residual equity transfers. These are reported in the "Other Financing Sources (Uses) and Operating Transfers" section of the governmental and proprietary fund operating statements, respectively, in determining the results of operations.

1.L. Fund Balance

1. The reserved portion of the fund balance indicates that a portion of the fund balance is not available for appropriation and expenditure or is legally segregated for a specific future use.

2. The unreserved portion of fund balance consists of appropriations carried over to fiscal year 1980 and the unrestricted fund balance is that which is available for future appropriation and expenditure.

3. The net change in the reserved or unreserved component of fund balance from operations shown on the operating statements is the difference between total sources and total uses of financial resources during the period.

1.M. Budget Figures

Statements on budgeted revenues or expenditures are presented with the individual fund financial statements for those funds from which the Legislature makes direct appropriations. These funds are: the General Fund, the State Airports Fund, the Game and Fish Fund, the Trunk Highway Fund and the Highway Users Tax Distribution Fund. The basis of the budgetary figures are disclosed in the specific footnotes. Budgetary figures for the Special Revenue, Federal, Gift and Employment Services Administration Fund are not presented because these funds are not funded by direct legislature appropriation and their expenditures are limited to revenues collected for specific purposes.

As discussed in Note 3, a change in current accounting and reporting practices for debt service has been adopted for the F.Y. 1979 financial statements. This change is not reflected in the budget estimates.

2. Accounting and Reporting Changes

Significant reporting and accounting changes have been made since the previously issued biennial financial report for fiscal years 1977 and 1978 and are summarized below:

1) **Reclassified Funds** – Consistent with generally accepted accounting principles, the following funds have been reclassified in the generic fund type indicated:

- Maximum Effort School Loan Fund to Enterprise Fund (originally it was reported as part of the Bond Proceeds Fund)
- County State Aid Highway Fund, Municipal State Aid Street Fund, Endowment School Fund and Disbursements Clearing Fund to Trust and Agency Funds
- General Fund Project, Bond Proceeds Fund and Transportation Fund to Capital Project Funds
- Gift Fund to Special Revenue Funds
- the Permanent University Fund is no longer reported as a separate fund because it is part of the University of Minnesota's reporting scope.

2) **Other Accounting and Reporting Changes** – The following changes have been made for the fiscal year 1979 financial statements and, unless otherwise indicated, the fiscal year 1978 statements have been restated to conform with the current year presentation:

- accrued investment income has been recorded. This has resulted in larger fund balances for some funds than was previously reported.
- salaries payable and accounts payable (see Note 1.E.) have been recorded rather than being included with the reserve for encumbrance figure as they were last year.
- fund balance definition has been expanded to include both reserved and unreserved components (see Note 1.L.).
- federal aid agreements and related project encumbrances are no longer shown on the financial statements of the Trunk Highway Fund and Transportation Fund. It was not feasible to adjust the fiscal year 1978 statements and, therefore, they are not comparative.
- the Disbursement Clearing Fund excludes all Invested Treasurer's Cash investment activity.
- the General Long-Term Debt Group of Accounts includes Loans Payable.
- the Permanent School Fund recognizes Unamortized Investment Losses as part of the Fund Balance as opposed to a receivable from the Endowment School Fund.
- the Endowment School Fund excludes Unamortized Investment Losses as a liability.
- the inclusion of Internal Service Funds (Central Motor Pool, Computer Services and Micrographics Funds) and the Minnesota State Retirement System Funds as Fiduciary Funds.

3. Long-Term Liabilities

Information on amounts authorized, amounts issued, and outstanding debt service requirements, is contained in the following statements and schedules:

- Statement of Changes in General Long-Term Debt and scheduled Debt Service for Fiscal Years 1980-1999 (pages 155-159).
- Statements and schedules for the:

  Bond Proceeds Fund (pages 93 to 95)

  Building Fund (pages 89 to 92)
- where applicable, in the individual proprietary fund financial statements.

The state constitution provides that when the full faith and credit of the state has been pledged for the payment of bonds the State Auditor shall levy each year on all taxable property within the state a tax sufficient with the balance then on hand in the fund to pay all principal and interest on bonds issued under this section due and to become due within the ensuing year and to and including July 1 in the second ensuing year. It also provides for the legislature by law to appropriate funds from any source to the Debt Service Fund. The amount of money actually received and on hand pursuant to appropriations prior to the levy of the tax in any year shall be used to reduce the amount of tax otherwise levied.

Minnesota Statutes provide that in order to reduce the amount of taxes otherwise required to be levied there is hereby appropriated annually to the state bond fund (Debt Service Fund) from the various government funds in the State Treasury such sums of money sufficient in amount when added to the balance on hand in the state bond fund to pay all principal and interest on state bonds issued for the purposes set forth in the statutes, due and to become due within the then ensuing year and including July 1 in the second ensuing year.

The state has not levied a property tax for debt service since 1966. In 1967 the Legislature began making appropriations for debt service. The appropriation authority covered any and all general obligation debt service payments. Since 1977, direct appropriations have been made for debt service. If for

any reason these direct appropriations are insufficient, an open appropriation exists to make the additional debt service payments. These appropriations are made for a biennium and transfers from the appropriate funds have been made monthly to the Debt Service Fund as principal and interest become due. This practice was considered to be within the intent of the constitution and statutes based on the open appropriation authority. However, the Department of Finance, in consultation with the Legislative Auditor and counsel, has concluded that current accounting practices for debt service should be changed to precisely conform with generally accepted accounting principles in accordance with statutory requirements. As a result, the Department of Finance will make transfers sufficient to cover the ensuing 20 months of debt service from the General Fund, State Airports Fund, Trunk Highway Fund, Employment Services Administration Fund and the Maximum Effort School Loan Fund to the Debt Service Fund in December, 1979. Although the transfers were not made during fiscal year 1979, the interfund payables/receivables and the corresponding effects on the fund balances (or retained earnings) of the involved funds have been recognized in the 1979 financial statements.

4. Footnotes and general information on the retirement funds are presented in the Pension Trust Fund section.

5.A. Limitation on Potential Employee Claims – Vacation and Sick Leave

Under Minnesota law, state employees may accumulate vacation leave to a maximum of 240 working hours or 30 days.

Employees who are separated from state service by reason of death, retirement or layoff (excluding seasonal) are entitled to 40 percent of the employee's accumulated but unused sick leave. Sick leave is accumulated at the rate of four hours per pay period to a maximum of 900 hours (112.5 days). After 900 hours, the accrual rate is reduced to two hours per pay period.

The cost of vacation and sick leave is charged against agency appropriations when leave is used rather than when leave is earned. There is no recorded liability for accumulated annual and sick leave in the state's financial records. It has not been determined if there is a substantial effect on any fund.

5.B. Leases

Leases are not classified as either capital or operating leases at their inception other than in the Computer Services Fund. Most state leases would be classified as operating leases because they contain termination clauses providing for cancellation upon 30 days written notice to the lessor.

6. Litigation

Minnesota Statutes 3.736 waives the state's sovereign immunity to a limited degree. In general it permits civil actions against the state for damages for injury to or loss of property, personal injury or death caused by an act or omission of any employee of the state while acting within the scope of their employment, under circumstances where the state, if a private person, would be liable to the claimant. Losses resulting from certain actions of state officers and employees are not recoverable. The maximum amount which may be recovered for wrongful death is $100,000. In other cases the maximum amount which may be recovered is $100,000 by any claimant and $500,000 by all claimants, with respect to a single occurrence. A state agency may obtain liability insurance for itself and its employees, and the immunity of the state is waived to the extent of the insurance. The law provides for indemnification of state officers and employees incurring liability for actions taken in the scope of their employment, providing they cooperate fully with the state in defense of the claim. The law also provides for the submission to district courts of claims against the state arising out of contracts for goods, services or work entered into by any state agency through established procedures.

The Minnesota Legislature has appropriated $750,000 per year for fiscal years 1980 and 1981 for payment of Tort Claims. The legislature also appropriated $750,000 per year for the year ended June 30, 1978 and 1979 for Tort Claims. Expenditures against these appropriations were $85,113 in 1978 and $60,000 in 1979.

The state, its officers and employees, are defendants in numerous law suits. The following cases have been noted because an adverse decision could result in the expenditure of state monies in excess of current levels.

1) There are ten pending claims against the Real Estate Education, Research, and Recovery Fund. Minnesota Statute 82.34 provides that the fund is not liable for more than $20,000 on account of any one license.

2. **CITY OF BLOOMINGTON v. COMMISSIONER OF REVENUE (Minnesota Tax Court)** – Taxpayer claims that sales tax should not be charged on that portion of each customer's utility bill designated to cover expenses unrelated to the amount of the utility purchased. The General Fund would be liable if this suit is lost. The suit involves the years 1977 through 1979.

3) **EMIL OLSON, INC. v. COMMISSIONER OF REVENUE (Minnesota Supreme Court)** – Minnesota tax court has ruled in favor of the state. Road contractors claim that charges for crushing gravel are not subject to sales tax. The General Fund would be liable if this suit is lost. The suit involves the years 1976 through 1979.

4) **IRON ORE OCCUPATION TAX CASES (Minnesota Tax Court)** – Nine iron ore mining companies seek to avoid taxation by asserting that the taconite and iron sulphides production taxes should be deductible for purposes of determining the value of ore subject to the occupation tax in question and further contend that the occupation tax exceeds statutory and constitutional tax limits. The General Fund would be liable if this suit is lost. The suit involves the years 1974 through 1979.

5) **TACONITE PRODUCTION TAX CASES (Minnesota Tax Court)** – Seven taconite companies seek elimination of the taconite production tax and return of such taxes paid by alleging that the production taxes are in lieu of property taxes and actually constitute excise taxes subject to certain statutory limits. Plaintiffs contend that since the Minnesota occupation tax alone exceeds such statutory limits that the taconite production tax levy is unlawful. The General Fund, the Northeast Minnesota Economic protection fund and the Northern Minnesota Environmental protection fund are liable if this suit is lost. The suit involves the years 1975 through 1979.

6) **RESERVE MINING COMPANY v. COMMISSIONER OF REVENUE (Minnesota District Court, Lake County)** – This action arises out of plaintiff's challenge to the constitutionality of the taconite tailings tax with a potential loss of revenue to the State of Minnesota. The District Court has ruled in favor of the plaintiff. The state will appeal to the Minnesota Supreme Court. If the appeal is lost, the General Fund is liable. The suit involves the years 1978 through 1979.

7) **RAILROAD GROSS EARNINGS TAX CASES (Minnesota District Court, Ramsey County)** – Seven different railroad companies have instituted suit challenging the constitutionality of the Minnesota gross earnings tax. The plaintiffs contend that gradual changes in Minnesota's tax laws, Minnesota and national transportation systems, and the national economy have rendered the railroad gross earnings tax unconstitutional as a violation of either the Due Process and Equal Protection Clauses of the 14th Amendment to the United States Constitution or the Commerce Clause, or both. Plaintiffs further allege that Public Law 94-210 (the Railroad Revitalization and Regulatory Reform Act of 1976) renders the gross earnings tax unconstitutional as a violation of the Commerce Clause of the United States Constitution. Plaintiffs seek elimination of the gross earnings tax and a refund of the gross earnings tax payments recently made. The General Fund would be liable if this suit is lost. The suit involves the years 1971 through 1978.

8) **MINNEAPOLIS STAR & TRIBUNE v. COMMISSIONER OF REVENUE (Minnesota District Court, Hennepin County)** – Plaintiff seeks refund by alleging that the use tax imposed by Minnesota Statutes, Section 297A.14 is unconstitutional and is violative of the Equal Protection and the Due Process Clauses of the 14th Amendment of the United States Constitution and further contends that the tax constitutes a denial of the freedom of speech and of the press. The tax in dispute applied, starting January 1, 1974, to the cost of paper and ink products, in excess of $100,000.00 in any calendar year, utilized in producing a newspaper. The General Fund would be liable if this suit is lost.

9) There are nine claims against the state for breach of warranty based on conditions not represented in the plans and specifications (Minnesota District Court). The Trunk Highway Fund would be liable if these suits are lost.

10) **WELSCH, et al. v. NOOT et al. (United States District Court, District of Minnesota)** – This action involves the "right to treatment" of patients in the state hospital system requiring substantial changes in staff practices, the physical plant, and the treatment accorded patients. Liability has been established pending appropriate funding. The General Fund would be liable if this suit is lost.

11) **CRAIK v. STATE UNIVERSITY BOARD, et al. (Federal District Court, District of Minnesota)** – Plaintiff seeks damages for alleged sex discrimination in hiring and promotion practices in a case which has been conditionally certified as a class action. The General Fund is liable if this suit is lost.

GOVERNMENTAL FUNDS

The **GENERAL FUND** is the primary operating fund for most state government operations. According to Minnesota statutes, the General Fund contains "such monies as have been deposited in the state treasury for the usual, ordinary, running and incidental expenses of the state government" and does not include monies deposited in the state treasury for a special or dedicated purpose. Thus, all tax revenue and departmental receipts not dedicated to other funds constitute the General Fund's source of revenue.

Special Revenue Funds:

The general **SPECIAL REVENUE FUND** receives revenue from various dedicated sources, the expenditures of which are limited by constitution or law for specific purposes. Examples include revenues from permits, fines, licenses, etc., dedicated to specific boards, commissions, or departments.

The **STATE AIRPORTS FUND** receives revenue from aviation related taxes and fees.

The **GAME AND FISH FUND** receives revenues from licenses and fines related to hunting and fishing, the receipts of which are appropriated to the Department of Natural Resources.

The **TRUNK HIGHWAY FUND** receives 62 percent of the revenue received by the Highway Users Tax Distribution Fund in addition to federal grants for highway purposes.

The **HIGHWAY USERS TAX DISTRIBUTION FUND** receives revenue from taxes on motor vehicles and motor fuels.

The **FEDERAL FUND** and the **EMPLOYMENT SERVICES ADMINISTRATION FUND** are used as receipt accounts for federal grants and reimbursements not deposited directly into other operating accounts. Monies are expended as specified by federal regulations.

The **GIFT FUND** receives revenue from gifts given to the state for both specific purposes and general use.

Capital Project Funds:

The **GENERAL FUND PROJECT** receives monies appropriated from the General Fund for building or capital improvement projects.

The **TRANSPORTATION FUND** receives proceeds of transportation bonds, general fund appropriations and federal grants.

The **BUILDING FUND** receives revenue from the sale of state bonds to provide funds for the acquisition and betterment of public lands and buildings.

The **BOND PROCEEDS FUND** receives revenue from the sale of bonds which are not designated for the building fund. Included in this fund are bonds sold for the following purposes:

- Grants to local government units for sewer construction.
- Construction of the State Zoological Garden.

Debt Service Fund

The **DEBT SERVICE FUND** receives transfers from the General Fund and other operating funds, and earnings from the temporary investment of bond proceeds.

STATE OF MINNESOTA

GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
ASSETS		
Cash	$281,491	$435,895
Imprest Cash	597	644
Investments (1979 market value $1,484)	1,356	1,466
Accrued Investment Income	5,534	9,625
Accounts Receivable	3,289	4,052
Due from Other Funds	14,416	19,920
Taxes Receivable	39,236	45,800
Public Welfare Receivables (1)		32,740
Loans Receivable	775	1,062
Prepaid Expense	25	25
Revolving Fund Investment (2)	475	
Total Assets	$347,194	$551,229
LIABILITIES AND FUND BALANCE		
Liabilities:		
Warrants Payable	$ 17,452	$ 2,253
Salaries Payable	11,834	21,721
Accounts Payable	41,862	50,326
Payable to Other Funds		77,434
Total Liabilities	$ 71,148	$151,734
Fund Balance:		
Reserved Fund Balance:		
Reserved for Encumbrances	$ 91,702	$ 62,224
Reserved for Receivables	39,236	78,540
Total Reserved Fund Balance	$130,938	$140,764
Unreserved Fund Balance:		
Restricted for Appropriation Carryover	$118,273	$ 24,245
Unrestricted Fund Balance	26,835	234,486
Total Unreserved Fund Balance	$145,108	$258,731
Total Fund Balance	$276,046	$399,495
Total Liabilities and Fund Balance	$347,194	$551,229

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
Revenues:		
Taxes	$2,724,057	$3,179,858
Reciprocity Income (3)	0	26,060
Federal Grants	12,283	3,428
Intergovernmental Revenue	18,391	22,850
Departmental Earnings	123,599	146,905
Revenue from Use of Property	5,787	3,171
Agency Deposits	427	1,348
Investment Income	22,948	32,246
Other Revenue	23,787	15,871
Gross Revenue	$2,931,279	$3,431,737
Less Revenue Refunds	215,341	269,351
Net Revenue	$2,715,938	$3,162,386
Other Financing Sources:		
Operating Transfers from Other Funds	$ 52,314	$ 53,061
Cancellation of Prior Years Encumbrances	17,184	20,878
Prior Year Transfers (Net)	3,682	5,147
Other	3,222	1,896
Total Other Financing Sources	$ 76,402	$ 80,982
Total Sources	$2,792,340	$3,243,368
Expenditures and Encumbrances:		
Current:		
Personal Services	$ 369,255	$ 401,379
Purchased Services	296,210	321,347
Materials and Supplies	28,928	31,119
Grants and Subsidies	1,949,332	2,079,805
Redistributed Costs	(1,827)	(1,599)
Aid to Individuals (4)	128,670	145,226
Capital Outlay:		
Equipment	8,766	8,806
Real Property	6,490	4,433
Debt Service	30	90
Gross Expenditures	$2,785,854	$2,990,606
Less Reimbursements from Other Funds:		
Indirect Costs (5)	(3,524)	(3,151)
Federal Reimbursements (Public Welfare) (6)	(12,581)	(37,359)
Gas Tax Reimbursement (7)	(0)	(1,656)
Net Expenditures and Encumbrances	$2,769,749	$2,948,440
Other Financing Uses:		
Operating Transfer to Debt Service Fund	$ 58,510	$ 150,924
All Other Operating Transfers to Other Funds	75,068	30,381
Total Other Financing Uses	$ 133,578	$ 181,305
Total Uses	$2,903,327	$3,129,745
Net Change in Unreserved Fund Balance for the Year	$ (110,987)	$ 113,623
Changes in Reserved Fund Balance:		
Cancellation of Prior Years Encumbrances	$ (17,184)	$ (20,878)
Prior Years Encumbrances Expended During Year	(97,272)	(66,169)
Current Year Encumbrances	77,377	57,569
Net Change in Reserve for Receivables	(2,779)	39,304
Net Change in Reserved Fund Balance for the Year	$ (39,858)	$ 9,826
Total Changes in Fund Balance for the Year	$ (150,845)	$ 123,449
Fund Balance, July 1	426,891	276,046
Fund Balance, June 30	$ 276,046	$ 399,495

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

GENERAL FUND

COMPARATIVE STATEMENT OF ACTUAL AND ESTIMATED REVENUES AND TRANSFERS FROM OTHER FUNDS

YEARS ENDED JUNE 30, 1978 and 1979

(000's Omitted)

	(Unaudited) Actual 1978	Actual 1979	(Unaudited) Estimated 1979	(Unaudited) Estimated Actual Variance Over (Under) Budget 1979
Unrestricted Revenue (8):				
Income Tax – Individual	$1,385,963	$1,640,604	$1,637,664	$ 2,940
Income Tax – Corporation	293,646	347,284	339,898	7,386
Sales Tax	539,387	610,473	605,207	5,266
Bank Excise	26,972	33,059	33,000	59
Inheritance and Gift	34,866	41,529	41,900	(371)
Employers Excise	19,016	4,542	4,575	(33)
Liquor, Wine and Malt Beverage	52,545	53,812	54,700	(888)
Cigarette and Tobacco Products	85,096	85,930	86,000	(70)
Iron Ore Occupation	3,946	4,522	4,580	(58)
Taconite Occupation	6,247	25,604	26,179	(575)
Taconite Production	48,810	69,222	69,222	(0)
Royalty Taxes	2,942	6,914	7,963	(1,049)
Deed and Mortgage Registration	19,112	20,924	19,500	1,424
Gross Earnings Taxes	120,174	137,492	137,722	(230)
Motor Vehicle Excise	84,347	96,967	94,800	2,167
Motor Vehicle Recycle	988	980	1,020	(40)
Income-Reciprocity	0	26,060	26,026	34
Departmental Earnings	96,282	108,266	112,481	(4,215)
Investment Income	22,854	32,088	27,460	4,628
All Other Revenue	19,538	18,455	19,652	(1,197)
Total Unrestricted Revenue	$2,862,731	$3,364,727	$3,349,549	$15,178
Restricted Revenue (9):				
Departmental Earnings	$ 34,904	$ 38,639	$ 39,554	$ (915)
Federal Grants	12,283	1,668	1,545	123
Intergovernmental Revenue	18,391	21,849	22,386	(537)
Investment Income	94	158	0	158
All Other	2,876	4,696	2,732	1,964
Total Restricted Revenue	$ 68,548	$ 67,010	$ 66,217	$ 793
Less Revenue Refunds:				
Income Tax – Individual	$ 182,320	$ 239,380	$ 230,086	$ (9,294)
Income Tax – Corporation	24,673	23,158	25,000	1,842
Sales Tax	913	2,485	2,800	315
Bank Excise	3,092	451	500	49
All Other	4,343	3,877	2,589	(1,288)
Total Revenue Refunds	$ 215,341	$ 269,351	$ 260,975	$ (8,376)
Net Revenue	$2,715,938	$3,162,386	$3,154,791	$ 7,595
Operating Transfers from Other Funds:				
Federal Fund:				
Revenue Sharing	$ 45,434	$ 45,638	$ 45,638	$ 0
All Other	3,155	2,804	3,000	(196)
Total Federal Fund	$ 48,589	$ 48,442	$ 48,638	$ (196)
Special Revenue Funds:				
Motor Vehicle Transfer of Ownership	$ 0	$ 2,459	$ 2,491	$ (32)
All Other Special Revenue Funds	2,020	1,151	1,270	(119)
All Other Funds	1,705	1,009	1,200	(191)
Total Transfers from Other Funds	$ 52,314	$ 53,061	$ 53,599	$ (538)
Total Net Revenue and Transfers from Other Funds	$2,768,252	$3,215,447	$3,208,390	$ 7,057

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

GENERAL FUND
COMPARATIVE STATEMENT OF EXPENDITURES, AIDS AND TRANSFERS TO OTHER FUNDS
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) Expenditures Encumbrances 1978	Expenditures 1979	Encumbrances 1979	Expenditures Encumbrances 1979
Expenditures and Encumbrances:				
Salaries	$ 317,906	$ 344,617	$ 803	$ 345,420
Retirement Contributions	31,439	33,112	43	33,155
Insurance Benefits	16,119	17,886	57	17,943
Other Benefits	3,791	4,657	204	4,861
Total Personal Services	$ 369,255	$ 400,272	$ 1,107	$ 401,379
Purchased Services	$ 296,210	$ 316,558	$ 4,789	$ 321,347
Materials and Supplies	28,928	29,617	1,502	31,119
Capital Outlay:				
Equipment	8,766	6,638	2,168	8,806
Real Property	6,490	1,479	2,954	4,433
Debt Service	30	90	0	90
Grants and Subsidies:				
Property Tax Relief (10)	49,237	74,740	0	74,740
Individuals	17,487	19,274	5	19,279
Municipalities and Towns	273,646	267,829	6,322	274,151
Counties	210,278	203,892	18,911	222,803
School Districts	1,018,236	1,065,478	8,971	1,074,449
Private Organizations	45,430	51,394	1,135	52,529
University of Minnesota	188,763	198,296	0	198,296
Retirement Associations	113,156	120,635	27	120,662
Other	33,099	33,222	9,674	42,896
Total Grants and Subsidies	$1,949,332	$2,034,760	$45,045	$2,079,805
Redistributed Costs	$ (1,827)	$ (1,603)	$ 4	$ (1,599)
Total Expenditures and Encumbrances	$2,657,184	$2,787,811	$57,569	$2,845,380
Aid to Individuals:				
Renters Credit	$ 52,650	$ 64,401	$ 0	$ 64,401
Senior Citizens and Disabled	65,120	72,111	0	72,111
Low Income Credits	10,900	8,714	0	8,714
Total Aid to Individuals	$ 128,670	$ 145,226	$ 0	$ 145,226
Gross Expenditures and Aids	$2,785,854	$2,933,037	$57,569	$2,990,606
Less Reimbursements from Other Funds:				
Indirect Costs	(3,524)	(3,151)		(3,151)
Federal Reimbursement (Public Welfare)	(12,581)	(37,359)		(37,359)
Gas Tax Reimbursement	(0)	(1,656)		(1,656)
Net Expenditures and Encumbrances	$2,769,749	$2,890,871	$57,569	$2,948,440
Operating Transfers to Other Funds:				
General Fund Project Fund	$ 6,511	$ 2,807	$ N/A	$ 2,807
Special Revenue Funds:				
Farm Security	10,000			
Taconite Area Environmental Protection	6,045	11,385		11,385
Iron Range Resources	3,882	2,743		2,743
North East MN Economic Protection	3,022	5,693		5,693
Rail Service Improvement	3,000			
Trunk Highway	1,492	1,218		1,218
Other	224	946		946
Debt Service Fund	58,510	150,924		150,924
Housing Finance	40,000	4,000		4,000
All Other Funds	892	1,589		1,589
Total Transfers to Other Funds (11)	$ 133,578	$ 181,305	$	$ 181,305
Total Expenditures, Aids, Encumbrances, and Transfers to Other Funds	$2,903,327	$3,072,176	$57,569	$3,129,745

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA
GENERAL FUND
STATEMENT OF BUDGETED AND ACTUAL EXPENDITURES, ENCUMBRANCES, AIDS, AND TRANSFERS TO OTHER FUNDS
YEAR ENDED JUNE 30, 1979
(000's Omitted)

	(Unaudited) Budget (12)	Expenditures	Encumbrances	(Unaudited) (Over) Under Budget
Expenditures and Encumbrances:				
Salaries	$ 348,648	$ 344,617	$ 803	$ 3,228
Retirement Contributions	31,275	33,112	43	(1,880)
Insurance Benefits	15,553	17,886	57	(2,390)
Other Benefits	2,397	4,657	204	(2,464)
Total Personal Services	$ 397,873	$ 400,272	$ 1,107	$ (3,506)
Purchased Services	$ 295,191	$ 316,558	$ 4,789	$(26,156)
Materials and Supplies	31,286	29,617	1,502	167
Capital Outlay:				
Equipment	5,249	6,638	2,168	(3,557)
Real Property	2,721	1,479	2,954	(1,712)
Debt Service	30	90	0	(60)
Grants and Subsidies:				
Property Tax Relief		74,740	0	
Individuals		19,274	5	
Municipalities and Towns		267,829	6,322	
Counties		203,892	18,911	
School Districts		1,065,478	8,971	
Private Organizations		51,394	1,135	
University of Minnesota		198,296	0	
Retirement Associations		120,635	27	
Other		33,222	9,674	
Total Grants and Subsidies (13)	$2,143,216	$2,034,760	$45,045	$63,411
Redistributed Costs	$ 16,920	$ (1,603)	$ 4	$18,519
Total Expenditures and Encumbrances	$2,892,486	$2,787,811	$57,569	$47,106
Aid to Individuals:				
Renters Credit	$ 59,000	$ 64,401	$ 0	$ (5,401)
Senior Citizens and Disabled	70,300	72,111	0	(1,811)
Low Income Credits	18,500	8,714	0	9,786
Total Aid to Individuals	$ 147,800	$ 145,226	$ 0	$ 2,574
Gross Expenditures and Aids	$3,040,286	$2,933,037	$57,569	$49,680
Less Reimbursement from Other Funds:				
Indirect Costs (5)	(3,500)	(3,151)	N/A	(349)
Federal Reimbursement (Public Welfare)	(38,143)	(37,359)		(784)
Gas Tax Reimbursement (7)	(1,656)	(1,656)		0
Net Expenditures and Encumbrances	$2,996,987	$2,890,871	$57,569	$48,547
Transfers to Other Funds:				
General Fund Project	$ 1,807	$ 2,807	$ N/A	$ (1,000)
Special Revenue Funds:				
Taconite Area Environmental Protection	11,385	11,385		0
Iron Range Resources	2,741	2,743		(2)
North East MN Economic Protection	5,693	5,693		0
Trunk Highway	1,008	1,218		(210)
Other		946		(946)
Debt Service	74,735	150,924		(76,189)
Housing Finance	4,000	4,000		0
All Other Funds	1,709	1,589		120
Total Transfers to Other Funds	$ 103,078	$ 181,305	$	$(78,227)
Total Expenditures, Encumbrances, Aids, and Transfers to Other Funds	$3,100,065	$3,072,176	$57,569	$(29,680)

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

GENERAL FUND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES BY FUNCTIONAL CATEGORY (14)
YEAR ENDED JUNE 30, 1978
(000's Omitted)
(Unaudited)

	Total	Grants and Aids	Agency Operating Expense
Central, Fiscal and Administrative	$ 716,275	$ 672,730	$ 43,545
Protection of Persons and Property	13,844	1,426	12,418
Health, Welfare, Social Development	501,327	127,996	373,331
Environment and Transportation	73,596	32,356	41,240
Economic Development and Security	62,326	28,794	33,532
Education and Training	1,345,330	1,196,799	148,531
Consumer Protection	23,634	17,156	6,478
Legislative, Judicial, and Constitutional Officers	33,417	745	32,672
Total Expenditures and Encumbrances	**$2,769,749**	**$2,078,002**	**$691,747**

GENERAL FUND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES BY FUNCTIONAL CATEGORY (14)
YEAR ENDED JUNE 30, 1979
(000's Omitted)
(Unaudited)

	Total	Grants and Aids	Agency Operating Expense
Central Fiscal and Administrative	$ 905,497	$ 857,271	$ 48,226
Protection of Persons and Property	15,827	2,632	13,195
Health, Welfare, Social Development	525,052	132,027	393,025
Environment and Transportation	61,994	20,093	41,901
Economic Development and Security	36,525	13,719	22,806
Education and Training	1,338,821	1,182,200	156,621
Consumer Protection	27,150	16,139	11,011
Legislative, Judicial, and Constitutional Officers	40,608	950	39,658
Inter-Departmental Expenditures	(3,034)		(3,034)
Total Expenditures and Encumbrances	**$2,948,440**	**$2,225,031**	**$723,409**

General Fund Footnotes

1. Public Welfare receivables were not reported in the financial statements for fiscal year 1978.
2. Revolving Fund Investment written off pursuant to generally accepted accounting principles.
3. Settlement of income tax reciprocity agreement with State of Wisconsin for fiscal years 1976, 1977, 1978, and 1979.
4. These payments are made to individuals as part of the income tax refund system.
5. Transfers from all funds as required by statute to reimburse general fund for indirect costs.
6. Large increase due to $20 million settlement for Federal Social Services Program.
7. Reimbursement from Highway Users Tax Distribution Fund for administrative cost of Department of Revenue is made biennially.
8. Unrestricted Revenue estimates were used as the basis for determining appropriations.
9. Restricted Revenue estimates are updated throughout the fiscal year based on changing conditions.
10. The formula by which property tax refund payments are made has ceilings which limit the total amount an individual taxpayer may receive. The ceilings that were applicable for fiscal year 1978 refunds were raised for fiscal year 1979 refunds through a provision referred to as "coinsurance".
11. Large variance due to $40 million transfer to Housing Finance Agency in fiscal year 1978.
12. Represents legislative intent.
13. Grants and Subsidies are allotted under a general category; at time of expenditure, they are broken down to object of expenditure.
14. See General Organization chart for departmental classification.

STATE OF MINNESOTA
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
ASSETS		
Cash	$40,248	$36,327
Imprest Cash	7	3
Accounts Receivable	120	936
Accrued Investment Income	93	585
Investments (1979 market value of $18,518)	4,623	17,932
Total Assets	**$45,091**	**$55,783**
LIABILITIES AND FUND BALANCE		
Liabilities:		
Warrants Payable	$ 380	$ 172
Salaries Payable	161	189
Accounts Payable	2,026	4,103
Payable to Other Funds	1,760	3,066
Total Liabilities	**$ 4,327**	**$ 7,530**
Fund Balance:		
Reserved for Encumbrances	$ 4,939	$10,985
Unreserved:		
Restricted for Appropriation Carryover	35,825	37,268
Total Fund Balance	**$40,764**	**$48,253**
Total Liabilities and Fund Balance	**$45,091**	**$55,783**

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

SPECIAL REVENUE FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
Revenues:		
Federal Grants – Education	$ 271	$ 224
Intergovernmental Revenue	260	341
Departmental Earnings	10,630	12,328
Revenue from Use of Property	3,884	4,409
Statutory Fines	2,295	2,669
Investment Income	188	1,046
Other Revenue	1,644	2,479
Gross Revenue	$19,172	$23,496
Less Revenue Refunds	467	1,509
Net Revenue	$18,705	$21,987
Other Financing Sources:		
Operating Transfers from Other Funds	$26,577	$21,237
Cancellation of Prior Years Encumbrances	128	211
Other	119	25
Total Other Financing Sources	$26,824	$21,473
Total Sources	$45,529	$43,460
Expenditures and Encumbrances:		
Current:		
Personal Services	$ 5,239	$ 5,733
Purchased Services	3,344	4,119
Materials and Supplies	423	591
Grants and Subsidies	6,494	13,672
Redistributed Costs	639	791
Capital Outlay:		
Equipment	330	1,466
Real Property	998	4,748
Reimbursement to General Fund for Indirect Costs	91	429
Salary Reimbursement to Trunk Highway Fund		25
Total Expenditures and Encumbrances	$17,558	$31,574
Other Financing Uses:		
Operating Transfer to Debt Service Fund	$ 203	$ 406
All Other Operating Transfers to Other Funds	4,701	6,500
Total Current Year Operating Transfers	$ 4,904	$ 6,906
Prior Years Transfers Out (Net)	$ 1,034	$ 3,537
Total Other Financing Uses	$ 5,938	$10,443
Total Uses	$23,496	$42,017
Net Change in Unreserved Fund Balance for the Year	$22,033	$ 1,443
Changes in Reserved Fund Balance:		
Cancellation of Prior Years Encumbrances	$ (128)	$ (211)
Prior Years Encumbrances Expended During Year	(5,577)	(3,854)
Current Year Encumbrances	4,133	10,111
Net Change in Reserved Fund Balance for the Year	$ (1,572)	$ 6,046
Total Changes in Fund Balance for the Year	$20,461	$ 7,489
Fund Balance, July 1	20,303	40,764
Fund Balance, June 30	$40,764	$48,253

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

SPECIAL REVENUE FUND

COMPARATIVE STATEMENT OF REVENUES AND TRANSFERS FROM OTHER FUNDS

YEARS ENDED JUNE 30, 1978 and 1979

(000's Omitted)

	(Unaudited) 1978	1979
Revenues:		
Federal Grants – Education	$ 271	$ 224
Intergovernmental Revenue	260	341
Departmental Earnings	10,630	12,328
Revenue from Use of Property	3,884	4,409
Statutory Fines	2,295	2,669
Investment Income	188	1,046
Other Revenue	1,644	2,479
Gross Revenue	**$19,172**	**$23,496**
Less Revenue Refunds	467	1,509
Net Revenue	**$18,705**	**$21,987**
Operating Transfers from Other Funds:		
General Fund	$26,069	$20,673
Endowment School Fund	1	
Highway User Tax Distribution Fund	445	450
Federal Fund	59	114
All Other Funds	3	
Total Transfers from Other Funds	**$26,577**	**$21,237**
Total Revenue and Transfers from Other Funds	**$45,282**	**$43,224**

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

SPECIAL REVENUE FUND
COMPARATIVE STATEMENT OF EXPENDITURES AND TRANSFERS TO OTHER FUNDS
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) Expenditures Encumbrances 1978	Expenditures 1979	Encumbrances 1979	Expenditures Encumbrances 1979
Expenditures and Encumbrances:				
Salaries	$ 4,446	$ 4,840	$	$ 4,840
Retirement Contributions	507	533		533
Insurance Benefits	239	284		284
Other Benefits	47	56	20	76
Total Personal Services	$ 5,239	$ 5,713	$ 20	$ 5,733
Purchased Services	$ 3,344	$ 3,621	$ 498	$ 4,119
Materials and Supplies	423	567	24	591
Capital Outlay:				
Equipment	330	1,055	411	1,466
Real Property	998	1,899	2,849	4,748
Grants and Subsidies:				
Individuals	37	796		796
Cities and Towns	3,659	3,745	3,808	7,553
Counties	397	756	140	896
Private Organizations	1,425	1,066	2,042	3,108
Other	976	1,150	169	1,319
Total Grants and Subsidies	$ 6,494	$ 7,513	$ 6,159	$13,672
Redistributed Costs	$ 639	$ 641	$ 150	$ 791
Reimbursements:				
Indirect Costs (to General Fund)	91	429		429
Salary (to Trunk Highway Fund)		25		25
Total Expenditures and Encumbrances	$17,558	$21,463	$10,111	$31,574
Operating Transfers to Other Funds:				
General Fund	$ 1,576	$ 3,160	$ N/A	$ 3,160
Trunk Highway Fund	2,260	2,646		2,646
Federal Fund	2	18		18
Debt Service Fund	203	406		406
All Other Funds	863	676		676
Total Operating Transfers to Other Funds	$ 4,904	$ 6,906	$	$ 6,906
Total Expenditures, Encumbrances, and Transfers to Other Funds	$22,462	$28,369	$10,111	$38,480

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

SPECIAL REVENUE FUND

COMPARATIVE SCHEDULE OF REVENUE BY DEPARTMENT

YEARS ENDED JUNE 30, 1978 and 1979

(000's Omitted)

(Unaudited)

	1978	1979
Department:		
Military Affairs	$ 15	$ 15
Administration	506	567
Agriculture	1,653	1,807
Public Safety	6,576	7,016
Health		15
Commerce	289	328
Economic Security	431	351
Economic Development	17	164
Personnel	3	33
Natural Resources	4,587	4,671
State Planning	5	1
Pollution Control Agency	27	29
Education	209	237
Investment Board	31	
Iron Range Resources and Rehabilitation Board	381	833
Higher Education Coordinating Board	710	953
State Treasurer	433	568
Supreme Court	444	484
Zoological Board	56	60
Corrections	1,335	1,239
Public Service	32	185
Minnesota Educational Computing Consortium	908	1,839
Northeast Minnesota Economic Protection Fund		524
Miscellaneous Boards and Commissions	57	68
Net Revenue	**$18,705**	**$21,987**

STATE OF MINNESOTA

STATE AIRPORTS FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
ASSETS		
Current Assets:		
Cash	$ 286	$ 83
Accounts Receivable	309	282
Accrued Investment Income	124	313
Investments (1979 market value of $9,850)	10,165	9,538
Loans Receivable (1)	258	253
Total Current Assets	**$11,142**	**$10,469**
Non-Current Assets:		
Loans Receivable (1)	$ 1,157	$ 1,410
Advance to Trunk Highway Fund	50	50
Total Non-Current Assets	**$ 1,207**	**$ 1,460**
Total Assets	**$12,349**	**$11,929**
LIABILITIES AND FUND BALANCE		
Liabilities:		
Warrants Payable	$ 131	$ 4
Accounts Payable	1,666	941
Payable to Other Funds		494
Total Liabilities	**$ 1,797**	**$ 1,439**
Fund Balance:		
Reserved:		
Reserved for Encumbrances	$ 5,760	$ 7,390
Reserved for Hangar Revolving Loans (2)	2,050	2,050
Reserved for Advance to Trunk Highway	50	50
Total Reserved Fund Balance	**$ 7,860**	**$ 9,490**
Unreserved:		
Restricted for Appropriation Carryover	$ 252	$ 230
Unrestricted Fund Balance	2,440	770
Total Unreserved Fund Balance	**$ 2,692**	**$ 1,000**
Total Fund Balance	**$10,552**	**$10,490**
Total Liabilities and Fund Balance	**$12,349**	**$11,929**

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

STATE AIRPORTS FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
Revenues:		
Taxes	$ 7,552	$ 7,566
Departmental Earnings	1	2
Income from Investments	745	869
Other Revenue	95	3
Gross Revenue	$ 8,393	$ 8,440
Less Revenue Refunds	932	1,308
Net Revenue	$ 7,461	$ 7,132
Other Financing Sources:		
Operating Transfers from Other Funds	$	$ 25
Cancellation of Prior Years Encumbrances	505	485
Prior Year Transfers		179
Other	77	
Total Other Financing Sources	$ 582	$ 689
Total Sources	$ 8,043	$ 7,821
Expenditures and Encumbrances:		
Current:		
Purchased Services	$ 224	$ 223
Materials and Supplies	45	20
Grants and Subsidies	4,914	6,724
Redistributed Costs	352	
Capital Outlay:		
Equipment	735	336
Real Property	58	22
Reimbursement to Trunk Highway for Salaries	1,059	945
Reimbursement to General Fund for Indirect Costs	47	54
Total Expenditures and Encumbrances	$ 7,434	$ 8,324
Other Financing Uses:		
Operating Transfer to Debt Service Fund	$ 472	$ 937
Other Operating Transfers	59	
Prior Year Transfers Out		252
Total Other Financing Uses	$ 531	$ 1,189
Total Uses	$ 7,965	$ 9,513
Net Change in Unreserved Fund Balance for the Year	$ 78	$ (1,692)
Changes in Reserved Fund Balance:		
Cancellation of Prior Years Encumbrances	$ (505)	$ (485)
Prior Years Encumbrances Expended During Year	(3,566)	(3,150)
Current Year Encumbrances	1,571	5,265
Net Change in Reserved Fund Balance	$ 2,500	$ 1,630
Total Changes in Fund Balance for the Year	$ 2,578	$ (62)
Fund Balance, July 1	7,974	10,552
Fund Balance, June 30	$10,552	$10,490

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

STATE AIRPORTS FUND
COMPARATIVE STATEMENT OF ACTUAL AND ESTIMATED REVENUES AND TRANSFERS FROM OTHER FUNDS
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) Actual 1978	Actual 1979	(Unaudited) Estimated 1979 (3)	(Unaudited) Estimated Actual Variance Over (Under) Budget 1979
Revenues:				
Aircraft Tax	$ 741	$ 905	$ 735	$170
Air Carrier Flight Property Tax	3,759	3,420	3,250	170
Aviation Gasoline and Special Fuel Tax	3,052	3,241	3,300	(59)
Departmental Earnings	1	2	1	1
Income from Investments	745	869	560	309
Other Revenue	95	3		3
Total Revenue	$8,393	$8,440	$7,846	$594
Less Revenue Refunds	932	1,308	1,654	346
Net Revenue	$7,461	$7,132	$6,192	$940
Operating Transfers from Other Funds:				
Federal Fund	$ 0	$ 25	$ 25	$
Total Net Revenue and Operating Transfers from Other Funds	$7,461	$7,157	$6,217	$940

The footnotes are an integral part of the financial statements.

STATE AIRPORTS FUND
COMPARATIVE STATEMENT OF EXPENDITURES, ENCUMBRANCES AND TRANSFERS TO OTHER FUNDS
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) Expenditures Encumbrances 1978	Expenditures 1979	Encumbrances 1979	Expenditures Encumbrances 1979
Expenditures and Encumbrances:				
Salary Reimbursement to Trunk Highway Fund	$1,059	$ 945	$ N/A	$ 945
Purchased Services	224	213	10	223
Materials and Supplies	45	12	8	20
Capital Outlay:				
Equipment	735	121	215	336
Real Property	58	21	1	22
Grants and Subsidies:				
Cities	4,881	1,660	5,032	6,692
Private Organizations	33	32		32
Total Grants and Subsidies	$4,914	$1,692	$5,032	$6,724
Redistributed Costs	$ 352	$	$	$
Reimbursement to General Fund for Indirect Costs	47	54	N/A	54
Total Expenditures and Encumbrances	$7,434	$3,058	$5,266	$8,324
Operating Transfers to Other Funds:				
Debt Service	$ 472	$ 937	$ N/A	$ 937
Trunk Highway Fund	59			
Total Operating Transfers	$ 531	$ 937	$	$ 937
Total Expenditures, Encumbrances and Operating Transfers to Other Funds	$7,965	$3,995	$5,266	$9,261

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

STATE AIRPORTS FUND
STATEMENT OF ACTUAL AND BUDGETED EXPENDITURES
YEAR ENDED JUNE 30, 1979
(000's Omitted)

	(Unaudited) Budget (4)	Expenditures	Encumbrances	(Unaudited) Over (Under) Budget
Expenditures and Encumbrances:				
Salary Reimbursement to Trunk Highway Fund	$ 945	$ 945	$ N/A	$
Purchased Services	256	213	10	(33)
Materials and Supplies	34	12	8	(14)
Capital Outlay:				
Equipment		121	215	
Real Property		21	1	
Total Capital Outlay	$ 328	$ 142	$ 216	$ 30
Grants and Subsidies:				
Cities	$	$1,660	$5,032	$
Private Organizations		32		
Total Grants and Subsidies	$7,109	$1,692	$5,032	$(385)
Reimbursement to General Fund for Indirect Costs	$ 54	$ 54	$ N/A	$
Total Expenditures and Encumbrances	$8,726	$3,058	$5,266	$(402)
Operating Transfers to Other Funds:				
Debt Service	$ 443	$ 937	$ N/A	$ 494
Total Expenditures and Transfers to Other Funds	$9,169	$3,995	$5,266	$ (92)

The footnores are an integral part of the financial statements.

State Airports Fund Footnotes

1. Loans receivable represent loans made to finance the construction of hangar buildings for municipal owned airports. The current portion represents loans anticipated to be repaid during fiscal year 1980.
2. The total amount authorized for hangar construction loans is reserved in the fund balance section so that there is no effect on the unreserved fund balance.
3. Revenue estimates are updated throughout the year based on changing conditions.
4. Represents legislative intent.

STATE OF MINNESOTA
GAME AND FISH FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
ASSETS		
Cash	$3,352	$5,932
Imprest Cash	18	18
Due from Other Funds		239
Total Assets	$3,370	$6,189
LIABILITIES AND FUND BALANCE		
Liabilities:		
Warrants Payable	$ 461	$ 49
Salaries Payable	343	670
Accounts Payable	714	918
Payable to Other Funds	805	147
Total Liabilities	$2,323	$1,784
Fund Balance:		
Reserved for Encumbrances	$1,313	$ 999
Unreserved:		
Restricted for Appropriation Carryforward	$ 62	$
Unrestricted	(328)	3,406
Total Unreserved Fund Balance	$ (266)	$3,406
Total Fund Balance	$1,047	$4,405
Total Liabilities and Fund Balance	$3,370	$6,189

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

GAME AND FISH FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEARS ENDED JUNE 30, 1978 and 1979

(000's Omitted)

	(Unaudited) 1978	1979
Revenues:		
Federal Grants	$ 1,900	$ 4,359
Departmental Earnings	12,805	14,087
Revenue from Use of Property	222	157
Other Revenue	112	239
Gross Revenue	**$15,039**	**$18,842**
Less Revenue Refunds	147	132
Net Revenue	**$14,892**	**$18,710**
Other Financing Sources:		
Operating Transfers from Other Funds	$ 445	$ 450
Cancellation of Prior Years Encumbrances	(52)	353
Prior Year Receipts	84	258
Total Other Financing Sources	**$ 477**	**$ 1,061**
Total Sources	**$15,369**	**$19,771**
Expenditures and Encumbrances:		
Current:		
Personal Services	$10,308	$11,206
Purchased Services	1,665	1,632
Materials and Supplies	1,107	1,224
Grants and Subsidies	172	216
Capital Outlay:		
Equipment	861	972
Real Property	653	598
Reimbursement to General Fund (Indirect Costs)	211	174
Reimbursement for Workmen's Compensation		77
Total Expenditures and Encumbrances	**$14,977**	**$16,099**
Other Financing Uses:		
Operating Transfer to General Fund Project	$ 284	$
Total Uses	**$15,261**	**$16,099**
Net Change in Unreserved Fund Balance for the Year	**$ 108**	**$ 3,672**
Changes in Reserved Fund Balance:		
Cancellation of Prior Years Encumbrances	$ (52)	$ (353)
Prior Years Encumbrances Expended During Year	(1,795)	(844)
Current Year Encumbrances	1,116	883
Net Change in Reserved Fund Balance for the Year	**$ (731)**	**$ (314)**
Total Changes in Fund Balance for the Year	**$ (623)**	**$ 3,358**
Fund Balance, July 1	1,670	1,047
Fund Balance, June 30	**$ 1,047**	**$ 4,405**

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

GAME AND FISH FUND

COMPARATIVE STATEMENT OF ACTUAL AND ESTIMATED REVENUES AND TRANSFERS FROM OTHER FUNDS

YEARS ENDED JUNE 30, 1978 and 1979

(000's Omitted)

	(Unaudited) Actual 1978	Actual 1979	(Unaudited) Estimated 1979 (1)	(Unaudited) Estimated Actual Variance Over (Under) Budget 1979
Revenues:				
Federal Grants	$ 1,900	$ 4,359	$ 3,500	$ 859
Departmental Earnings:				
Fishing Licenses	7,103	7,916	7,069	847
Hunting Licenses	4,938	4,830	4,896	(66)
Sportsmen Licenses	254	825	620	205
Migratory Water Stamp	333	344	340	4
All Other	177	172	183	(11)
Total Departmental Earnings	$12,805	$14,087	$13,108	$ 979
Revenue from Use of Property	$ 222	$ 157	$ 240	$ (83)
Other Revenue	112	239	116	123
Total Revenue	$15,039	$18,842	$16,964	$1,878
Less Revenue Refunds	(147)	(132)	(150)	18
Net Revenue	$14,892	$18,710	$16,814	$1,896
Operating Transfers from Other Funds:				
Highway User Tax Distribution	$ 445	$ 450	$ 450	$
Total Net Revenue and Transfers from Other Funds	$15,337	$19,160	$17,264	$1,896

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

GAME AND FISH FUND
COMPARATIVE STATEMENT OF EXPENDITURES AND TRANSFERS TO OTHER FUNDS
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) Expenditures Encumbrances 1978	Expenditures 1979	Encumbrances 1979	Expenditures Encumbrances 1979
Expenditures and Encumbrances:				
Salaries	$ 8,649	$ 9,119	$ 1	$ 9,120
Retirement Contributions	1,173	1,241		1,241
Insurance Contributions	471	532		532
Other Benefits	15	312	1	313
Total Personal Services	**$10,308**	**$11,204**	**$ 2**	**$11,206**
Purchased Services	$ 1,665	$ 1,367	$265	$ 1,632
Materials and Supplies	1,107	1,157	67	1,224
Grants and Subsidies:				
Individuals	58	56		56
Cities and Towns	3	3		3
Counties	6	11		11
Other	105	62	84	146
Total Grants and Subsidies	**$ 172**	**$ 132**	**$ 84**	**$ 216**
Capital Outlay:				
Equipment	$ 861	$ 864	$108	$ 972
Real Property	653	241	357	598
Reimbursement to Other Funds:				
General Fund (Indirect Costs)	211	174	N/A	174
Workmen's Compensation		77	N/A	77
Total Expenditures and Encumbrances	**$14,977**	**$15,216**	**$883**	**$16,099**
Operating Transfers to Other Funds:				
General Fund Project	$ 284	$	N/A	$
Total Expenditures, Encumbrances and Transfers to Other Funds	**$15,261**	**$15,216**	**$883**	**$16,099**

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

GAME AND FISH FUND
STATEMENT OF BUDGETED AND ACTUAL EXPENDITURES AND TRANSFERS TO OTHER FUNDS
YEAR ENDED JUNE 30, 1979
(000's Omitted)

	(Unaudited) Budget (2)	Expenditures	Encumbrances	(Unaudited) (Over) Under Budget
Expenditures and Encumbrances:				
Salaries	$11,300	$ 9,119	$ 1	$2,180
Retirement Contributions	118	1,241		(1,123)
Insurance Benefits		532		(532)
Other Benefits	326	312	1	13
Total Personal Services	**$11,744**	**$11,204**	**$ 2**	**$ 538**
Purchased Services	$ 1,723	$ 1,367	$265	$ 91
Materials and Supplies	1,156	1,157	67	(68)
Grants and Subsidies				
Individuals		56		
Cities and Towns		3		
Counties		11		
Other		62	84	
Total Grants and Subsidies	**$ 182**	**$ 132**	**$ 84**	**$ (34)**
Capital Outlay:				
Equipment	$ 902	$ 864	$108	$ (70)
Real Property	496	241	357	(102)
Reimbursement to Other Funds:				
To General Fund – Indirect Costs	174	174	N/A	
To Workmen's Compensation	77	77		
Total Expenditures and Encumbrances	**$16,454**	**$15,216**	**$883**	**$ 355**

Game and Fish Fund Footnotes

1. Revenue estimates are updated throughout the year based on changing conditions.
2. Represents legislative intent.

STATE OF MINNESOTA
TRUNK HIGHWAY FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
ASSETS		
Cash	$ 1,562	$ (4,325)
Imprest Cash	21	21
Investments (1979 market value of $124,232)	139,466	120,991
Accounts Receivable (1)	1,477	2,130
Due from Other Funds	2,834	249
Federal Aid R[illegible]ivable	2,324	5,140
Federal Aid Agreements (2)	122,557	
Amount to be Provided – Advances from FHWA (3)	13,252	14,233
Inventory (4)		12,223
Advance to Industrial Commission		74
Bonds Authorized and Unissued (5)	19,000	
Accrued Investment Income	2,109	3,253
Total Assets	**$304,602**	**$153,989**
LIABILITIES AND FUND BALANCE		
Liabilities:		
Warrants Payable	$ 7,890	$ 3,430
Salaries Payable	4,001	3,943
Accounts Payable	50,658	7,947
Advance from State Airports Fund		50
Engineering Liability Subsequent Years (6)	9,916	
Advances from FHWA (3)	13,252	14,233
Payable to Other Funds		13,915
Total Liabilities	**$ 85,717**	**$ 43,518**
Fund Balance:		
Reserved:		
Reserve for Encumbrances (7)	$130,158	$ 11,013
Reserve for Bonds Authorized and Unissued (5)	19,000	
Reserve for Inventory		12,223
Reserve for Advance to Industrial Commission		74
Reserve for State Share of Construction Contracts (8)		65,889
Total Reserved Fund Balance	**$149,158**	**$ 89,199**
Unreserved:		
Restricted for Appropriation Carryover	$ 52,645	$ 17,367
Unrestricted Fund Balance	17,082	3,905
Total Unreserved Fund Balance	**$ 69,727**	**$ 21,272**
Total Fund Balance	**$218,885**	**$110,471**
Total Liabilities and Fund Balance	**$304,602**	**$153,989**

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

TRUNK HIGHWAY FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
Revenues:		
Federal Grants	$104,085	$110,483
Departmental Earnings	12,826	14,283
Revenue from Use of Property	1,322	1,646
General Obligation Bonds	31,000	
Income from Investments	8,440	10,459
Other Revenue	1,614	1,398
Gross Revenue	$159,287	$138,269
Less Revenue Refunds	4,115	104
Net Revenue	$155,172	$138,165
Other Financing Sources:		
Operating Transfers from Other Funds	$191,349	$202,532
Net Increase in Federal Aid Agreements	19,020	
Cancellation of Engineering Liabilities Subsequent Years Account		9,916
Net Increase in Amount to be Provided Advances from FHWA	1,075	981
Cancellation of Prior Years Encumbrances	5,472	51,193
Prior Year Revenue		1,939
Prior Year Transfers (Net)		226
Other	574	662
Total Other Financing Sources	$217,490	$267,449
Total Sources	$372,662	$405,614
Expenditures and Encumbrances:		
Current:		
Personal Services	$114,861	$120,228
Purchased Services	19,933	24,548
Materials and Supplies	18,771	21,511
Grants and Subsidies	403	437
Indirect Cost Reimbursement to General Fund	1,125	1,177
Capital Outlay:		
Equipment	8,907	8,096
Real Property	159,791	258,286
Gross Expenditures and Encumbrances	$323,791	$434,283
Less Project Encumbrances		(196,728)
Less Reimbursements from Other Funds:		
General Fund	(1,272)	(1,008)
Special Revenue Fund		(25)
State Airport Fund	(1,059)	(945)
Net Expenditures and Encumbrances	$321,460	$235,577
Other Financing Uses:		
Operating Transfers to Debt Service Fund	$ 13,050	$ 28,400
All Other Operating Transfers to Other Funds	606	
Net Increase in Advance from State Airport Fund		50
Net Increase in Engineering Liabilities Subsequent Years	1,364	
Net Increase in Advances from FHWA	1,075	1,597
Cancellation of Bonds Authorized and Unissued Account		19,000
Cancellation of Federal Aid Agreements Account		122,556
Restatement of Prior Years Encumbrances Expended During Year		46,889
Total Other Financing Uses	$ 16,095	$218,492
Total Uses	$337,555	$454,069
Net Change in Unreserved Fund Balance	$ 35,107	$ (48,455)

(Continued on next page)

	(Unaudited) 1978	1979
Changes in Reserved Fund Balance		
Cancellation of Prior Years Encumbrances	$ (5,472)	$ (51,193)
Prior Years Encumbrances Expended During Year	(160,193)	(78,054)
Current Year Encumbrances	130,158	10,102
Reserve for Bonds Authorized and Unissued	19,000	(19,000)
Reserve for Inventory		12,223
Reserve for Advances to Industrial Commission		74
Reserve for State Share of Construction Contracts		65,889
Net Change in Reserved Fund Balance	$ (16,507)	$ (59,959)
Total Changes in Fund Balance	$ 18,600	$(108,414)
Fund Balance, July 1	200,285	218,885
Fund Balance, June 30	$218,885	$110,471

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

TRUNK HIGHWAY FUND
COMPARATIVE STATEMENT OF ACTUAL AND ESTIMATED REVENUES, OTHER FINANCING SOURCES AND TRANSFERS FROM OTHER FUNDS
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) Actual 1978	Actual 1979	(Unaudited) Estimated 1979 (9)	(Unaudited) Estimated Actual Variance Over (Under) Budget 1979
Revenue:				
Federal Grants	$104,085	$110,483	$111,611	$ (1,128)
Departmental Earnings	12,826	14,283	14,323	(40)
Revenue from Use of Property	1,322	1,646	1,399	247
General Obligation Bonds	31,000			
Income from Investments	8,440	10,459	5,700	4,759
Other Revenue	1,614	1,398	1,582	(184)
Gross Revenue	$159,287	$138,269	$134,615	$ 3,654
Less Revenue Refunds	(4,115)	(104)	(5)	(99)
Net Revenue	$155,172	$138,165	$134,610	$ 3,555
Other Financing Sources:				
Cancellation of Engineering Liabilities Subsequent Years Account	$	$ 9,916	N/A	N/A
Net Increase in Federal Aid Agreements	19,020			
Net Increase in Amount to be Provided – Advances from FHWA	1,075	981		
Cancellation of Prior Years Encumbrances	5,472	51,193		
Prior Years Revenue and Transfers		2,165		
Other	574	662		
Total Other Financing Sources	$ 26,141	$ 64,917	$	$
Transfers from Other Funds:				
General Fund	$ 219	$ 209	$	$ 209
Special Revenue Fund	2,260	2,646	2,751	(105)
State Airports Fund	59			
Highway User Tax Distribution Fund	188,411	199,381	187,990	11,391
Federal Fund	400	296		296
Total Transfers from Other Funds	$191,349	$202,532	$190,741	$11,791
Total Sources	$372,662	$405,614	$325,351	$15,346

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

TRUNK HIGHWAY FUND
COMPARATIVE STATEMENT OF EXPENDITURES, ENCUMBRANCES AND TRANSFERS TO OTHER FUNDS
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) Expenditures Encumbrances 1978	Expenditures 1979	Encumbrances 1979	Expenditures Encumbrances 1979
Expenditures and Encumbrances:				
Salaries	$ 96,103	$100,332	$ 2	$100,334
Retirement Contributions	11,918	12,410		12,410
Insurance Benefits	5,473	6,109		6,109
Other Benefits	1,367	557	818	1,375
Total Personal Services	$114,861	$119,408	$ 820	$120,228
Purchased Services	$ 19,933	$ 20,459	$ 4,089	$ 24,548
Materials and Supplies	18,771	19,616	1,895	21,511
Capital Outlay:				
Equipment	8,907	5,858	2,238	8,096
Real Property	159,791	109,342	148,944	258,286
Grants and Subsidies	403	325	112	437
Indirect Cost Reimbursement to General Fund	1,125	1,177		1,177
Gross Expenditures	$323,791	$276,185	$158,098	$434,283
Less Project Expenditures and Encumbrances		(48,732)	(147,996)	(196,728)
Less Reimbursements from Other Funds:				
General Fund	(1,272)	(1,008)		(1,008)
Special Revenue Fund		(25)		(25)
State Airport Fund	(1,059)	(945)		(945)
Net Expenditures and Encumbrances	$321,460	$225,475	$ 10,102	$235,577
Other Financing Uses:				
Net Increase in Advance from State Airport Fund	$	$ 50	$ N/A	$ 50
Net Increase in Engineering Liabilities	1,364			
Net Increase in Advances Payable FHWA	1,075	1,597		1,597
Cancellation of Bonds Authorized and Unissued Account		19,000		19,000
Cancellation of Federal Aid Agreements Account		122,556		122,556
Restatement of Prior Years Encumbrances Expended During Year		46,889		46,889
Operating Transfers to Other Funds:				
General Fund	503			
General Fund Project	103			
Debt Service Fund	13,050	28,400		28,400
Total Other Financing Uses	$ 16,095	$218,492	$	$218,492
Total Expenditures, Encumbrances and Transfers to Other Funds	$337,555	$443,967	$ 10,102	$454,069

The footnores are an integral part of the financial statements.

STATE OF MINNESOTA

TRUNK HIGHWAY FUND
STATEMENT OF BUDGETED AND ACTUAL EXPENDITURES AND TRANSFERS TO OTHER FUNDS
YEAR ENDED JUNE 30, 1979
(000's Omitted)

	(Unaudited) Budget (10)	Expenditures	Encumbrances	(Unaudited) (Over) Under Budget
Expenditures and Encumbrances:				
Salaries	$103,807	$100,332	$ 2	$ 3,473
Retirement Contributions	12,637	12,410		227
Insurance Benefits	4,327	6,109		(1,782)
Other Benefits	656	557	818	(719)
Total Personal Services	**$121,427**	**$119,408**	**$ 820**	**$ 1,199**
Purchased Services	$ 20,230	$ 20,459	$ 4,089	$(4,318)
Materials and Supplies	22,089	19,616	1,895	578
Capital Outlay:				
Equipment	7,098	5,858	2,238	(998)
Real Property	173,760	109,342	148,944	(84,526)
Grants and Subsidies	281	325	112	(156)
Indirect Cost Reimbursement to General Fund	1,177	1,177		
Gross Expenditures	**$346,062**	**$276,185**	**$158,098**	**$(88,221)**
Less Project Encumbrances	**(196,728)**	**(48,732)**	**(147,996)**	
Less Reimbursements from Other Funds:				
General Fund	(1,008)	(1,008)		
Special Revenue	(25)	(25)		
State Airport Fund	(945)	(945)		
Net Expenditures and Encumbrances	**$147,356**	**$225,475**	**$ 10,102**	**$(88,221)**
Other Uses:				
Net Increase in Advance from State Airports	$ N/A	$ 50	$ N/A	$
Net Increase in Advances Payable FHWA		1,597		
Cancellation of Bonds Authorized and Unissued Account		19,000		
Cancellation of Federal Aid Agreements Account		122,556		
Restatement of Prior Years Encumbrances Expended During Year		46,889		
Operating Transfer to Debt Service Fund	14,485	28,400		(13,915)
Total Other Uses	**$204,577**	**$218,492**	**$**	**$(13,915)**
Total Expenditures, Encumbrances and Other Financing Uses	**$351,933**	**$443,967**	**$ 10,102**	**$(102,136)**

The footnotes are an integral part of the financial statements.

Trunk Highway Fund Footnotes

1. Does not include allowance for doubtful accounts of $62,719.
2. Traditionally, federal aid agreements have been shown as an asset to offset related project encumbrances of which there was no material effect to the Unrestricted Fund Balance. To comply with the Restatements of Governmental Accounting, Auditing and Financial Reporting Principles for fiscal year 1979, project encumbrances and federal aid agreements will no longer be recognized until the period in which the liability is incurred. The amount of outstanding federal aid agreements at the end of fiscal year 1979 were $196,027,000.00.
3. The state normally receives reimbursement from the Federal Highway Agency (FHWA) on purchases of right-of-ways after completion of a project. Occasionally the FHWA will advance the state money prior to completion of the project. This appears as an offsetting asset (amount to be provided – advance from FHWA) and liability (advances from FHWA).
4. Inventory valuation based on weighted average method.
5. Bonds authorized and unissued at June 30, 1979 were $19,000,000. No longer recognized as an asset.
6. Engineering Liability Subsequent Years is now part of Reserve for State Share of Construction Contracts.
7. Reserve for Encumbrances exclude long-term construction contracts of $242 million.
8. This represents the state's commitment to cover future project encumbrances against existing contractual obligations.
9. Revenue estimates are updated throughout the year based on changing conditions.
10. Represents legislative intent.

STATE OF MINNESOTA

HIGHWAY USERS TAX DISTRIBUTION FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
ASSETS		
Cash	$8,370	$6,099
Imprest Cash	2	2
Total Assets	**$8,372**	**$6,101**
LIABILITIES AND FUND BALANCE		
Liabilities:		
Warrants Payable	$ 116	$
Salaries Payable	85	94
Accounts Payable	190	528
Payable to Other Funds	5,642	2,489
Total Liabilities	**$6,033**	**$3,111**
Fund Balance:		
Reserved for Encumbrances	$ 66	$ 682
Unreserved:		
Restricted for Appropriation Carryover	141	
Restricted for Distribution to Other Funds	2,132	2,308
Total Unreserved Fund Balance	**$2,273**	**$2,308**
Total Fund Balance	**$2,339**	**$2,990**
Total Liabilities and Fund Balance	**$8,372**	**$6,101**

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

HIGHWAY USERS TAX DISTRIBUTION FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
Revenues:		
Taxes	$326,238	$342,178
Departmental Earnings	1,582	1,666
Other Revenue	4	1
Gross Revenue	$327,824	$343,845
Less Revenue Refunds	12,208	11,855
Net Revenue	$315,616	$331,990
Other Financing Sources:		
Operating Transfer from General Fund	$	$ 94
Cancellation of Prior Years Encumbrances	(9)	3
Other	31	
Total Other Financing Sources	$ 22	$ 97
Total Sources	$315,638	$332,087
Expenditures and Encumbrances:		
Current:		
Personal Services	$ 2,700	$ 2,932
Purchased Services	2,154	1,984
Materials and Supplies	1,347	1,786
Grants and Subsidies		5
Capital Outlay:		
Equipment	68	23
Real Property	2	
Reimbursements to General Fund	177	1,871
Total Expenditures and Encumbrances	$ 6,448	$ 8,601
Other Financing Uses:		
Operating Transfers to Other Funds	$305,714	$323,451
Total Uses	$312,162	$332,052
Net Change in Unreserved Fund Balance for the Year	$ 3,476	$ 35
Changes in Reserved Fund Balance:		
Cancellation of Prior Years Encumbrances	$ 9	$ (3)
Prior Years Encumbrances Expended During Year	(1,176)	(63)
Current Year Encumbrances	66	682
Net Change in Reserved Fund Balance for the Year	$ (1,101)	$ 616
Total Changes in Fund Balance for the Year	$ 2,375	$ 651
Fund Balance, July 1	(36)	2,339
Fund Balance, June 30	$ 2,339	$ 2,990

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

HIGHWAY USERS TAX DISTRIBUTION FUND
COMPARATIVE STATEMENT OF ACTUAL AND ESTIMATED REVENUES
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) Actual 1978	Actual 1979	(Unaudited) Estimated 1979 (1)	(Unaudited) Estimated Actual Variance Over (Under) Budget 1979
Revenue:				
Motor Vehicle Registration	$111,430	$116,703	$107,431	$ 9,272
Gasoline Tax	194,520	201,167	198,946	2,221
Special Fuel Tax	20,288	24,308	22,154	2,154
Departmental Earnings	1,582	1,666	1,958	(292)
Other Revenue	4	1		1
Gross Revenue	$327,824	$343,845	$330,489	$13,356
Less Revenue Refunds	12,208	11,855	13,824	1,969
Net Revenue	$315,616	$331,990	$316,665	$15,325
Operating Transfers from Other Funds:				
General Fund	$	$ 94	$ 94	$
Total Net Revenue and Transfers from Other Funds	$315,616	$332,084	$316,759	$15,325

The footnotes are an integral part of the financial statements.

HIGHWAY USERS TAX DISTRIBUTION FUND
STATEMENT OF BUDGETED AND ACTUAL EXPENDITURES AND TRANSFERS TO OTHER FUNDS
YEAR ENDED JUNE 30, 1979
(000's Omitted)

	(Unaudited) Budget (2)	Expenditures	Encumbrances	(Unaudited) (Over) Under Budget
Expenditures and Encumbrances:				
Salaries	$ 2,691	$ 2,466	$	$ 225
Retirement Contributions	329	308		21
Insurance Benefits	112	154		(42)
Other Benefits	12	4		8
Total Personal Services	$ 3,144	$ 2,932	$	$ 212
Purchased Services	$ 2,594	$ 1,929	$ 55	$ 610
Materials and Supplies	2,313	1,165	621	527
Capital Outlay:				
Equipment	20	17	6	(3)
Grants and Subsidies		5		(5)
Reimbursements to General Fund:				
Gas Tax Reimbursement	1,656	1,656	N/A	
Indirect Costs	215	215		
Total Expenditures and Encumbrances	$ 9,942	$ 7,919	$682	$1,341
Operating Transfers to Other Funds:				
General Fund	$ 450	$ 450	N/A	$
Special Revenue Fund	450	450		
Game and Fish Fund	450	450		
Trunk Highway Fund	200,370	199,381		989
Municipal State Aid – Street Fund	29,455	28,989		466
County State Aid Highway Fund	93,925	93,731		194
Total Operating Transfers to Other Funds	$325,100	$323,451	N/A	$1,649
Total Expenditures, Encumbrances, and Transfers to Other Funds	$335,042	$331,370	$682	$2,990

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

HIGHWAY USERS TAX DISTRIBUTION FUND
COMPARATIVE STATEMENT OF EXPENDITURES AND TRANSFERS TO OTHER FUNDS
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) Expenditures Encumbrances 1978	Expenditures 1979	Encumbrances 1979	Expenditures Encumbrances 1979
Expenditures and Encumbrances:				
Salaries	$ 2,280	$ 2,466	$	$ 2,466
Retirement Contributions	282	308		308
Insurance Benefits	134	154		154
Other Benefits	4	4		4
Total Personal Services	$ 2,700	$ 2,932	$	$ 2,932
Purchased Services	$ 2,154	$ 1,929	$ 55	$ 1,984
Materials and Supplies	1,347	1,165	621	1,786
Capital Outlay:				
Equipment	68	17	6	23
Real Property	2			
Grants and Subsidies		5		5
Reimbursements to General Fund:				
Gas Tax Reimbursement		1,656	N/A	1,656
Indirect Costs	177	215	N/A	215
Total Expenditures and Encumbrances	$ 6,448	$ 7,919	$682	$ 8,601
Operating Transfers to Other Funds:				
General Fund	$ 445	$ 450	N/A	$ 450
Special Revenue Fund	445	450		450
Game and Fish Fund	445	450		450
Trunk Highway Fund	188,411	199,381		199,381
Municipal State Aid Street Fund	27,394	28,989		28,989
County State Aid – Highway Fund	88,574	93,731		93,731
Total Operating Transfers to Other Funds	$305,714	$323,451	$	$323,451
Total Expenditures, Encumbrances and Transfers to Other Funds	$312,162	$331,370	$682	$332,052

The footnotes are an integral part of the financial statements.

Highway Users Tax Distribution Fund Footnotes

1. Revenue estimates are updated throughout the year based on changing conditions.
2. Represents legislative intent.

STATE OF MINNESOTA

FEDERAL FUND
COMPARATIVE BALANCE SHEET (1)
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
ASSETS		
Cash	$30,712	$28,817
Imprest Cash	8	10
Accounts Receivable	55,804	57,780
Loans Receivable	84	84
Prepaid Expense	2	2
Total Assets	**$86,610**	**$86,693**
LIABILITIES AND RESERVED FUND BALANCE		
Liabilities:		
Warrants Payable	$ 3,220	$ 552
Salaries Payable	1,626	1,703
Accounts Payable	31,227	29,544
Payable to Other Funds	12,137	13,914
Total Liabilities	**$48,210**	**$45,713**
Fund Balance: (2)		
Reserved for Encumbrances	$38,400	$40,980
Total Liabilities and Reserved Fund Balance	**$86,610**	**$86,693**

STATE OF MINNESOTA

FEDERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEARS ENDED JUNE 30, 1978 and 1979

(000's Omitted)

	(Unaudited) 1978	1979
Revenues:		
Federal Grants	$702,51[illegible]	$789,209
Intergovernmental Revenue	445	112
Medical Assistance Recoveries	4,063	5,656
Other Revenue	1,911	1,434
Gross Revenue	$708,937	$796,411
Less Revenue Refunds	806	654
Net Revenue	$708,131	$795,757
Other Financing Sources:		
Operating Transfers from Other Funds	$ 431	$ 112
Cancellation of Prior Years Encumbrances	12,663	13,570
Prior Years Receipts	85	1,551
Other	(289)	(720)
Total Other Financing Sources	$ 12,890	$ 14,513
Total Sources	$721,021	$810,270
Expenditures and Encumbrances:		
Current:		
Personal Services	$ 42,887	$ 45,209
Purchased Services	254,980	285,613
Materials and Supplies	1,776	2,514
Grants and Subsidies	350,589	381,483
Redistributed Costs	1,608	1,110
Capital Outlay:		
Equipment	2,536	2,264
Real Property	4,324	4,893
Reimbursements to the General Fund	13,059	37,747
Total Expenditures and Encumbrances	$671,759	$760,833
Other Financing Uses:		
Operating Transfers to Other Funds	$ 49,262	$ 49,437
Total Uses	$721,021	$810,270
Changes in Reserved Fund Balance:		
Cancellation of Prior Years Encumbrances	$(12,663)	$(13,570)
Prior Years Encumbrances Expended During Year	(14,273)	(20,879)
Current Year Encumbrances	34,896	37,029
Net Change in Reserved Fund Balance for the Year	$ 7,960	$ 2,580
Fund Balance, July 1	30,440	38,400
Fund Balance, June 30	$ 38,400	$ 40,980

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

FEDERAL FUND
COMPARATIVE STATEMENT OF REVENUES AND TRANSFERS FROM OTHER FUNDS
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
Revenues:		
Federal Grants:		
Administrative	$ 5	$ 313
Economic Development	313	824
Manpower Services	4,960	
Education	109,981	132,440
Health	13,495	17,239
Natural Resources	4,569	8,133
Public Safety	18,569	18,513
Social Welfare	428,475	480,693
Airports	5,177	3,669
Highways	4	
Other	116,970	127,385
Total Federal Grants	$702,518	$789,209
Intergovernmental Revenue	$ 445	$ 112
Medical Assistance Recoveries	4,063	5,656
All Other	1,911	1,434
Gross Revenue	$708,937	$796,411
Less Revenue Refunds	806	654
Net Revenue	$708,131	$795,757
Operating Transfers from Other Funds:		
General Fund	$ 104	$
Special Revenue Fund	2	18
Employment Services Fund	290	90
Gift and Deposit	35	4
Total Transfers from Other Funds	$ 431	$ 112
Total Revenue and Transfers from Other Funds	$708,562	$795,869

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

FEDERAL FUND
COMPARATIVE STATEMENT OF EXPENDITURES AND TRANSFERS TO OTHER FUNDS
(000's Omitted)

	(Unaudited) Expenditures Encumbrances 1978	Expenditures 1979	Encumbrances 1979	Expenditures Encumbrances 1979
Expenditures and Encumbrances:				
Salaries	$ 37,294	$ 39,235	$ 271	$ 39,506
Retirement Contributions	3,745	3,640	18	3,658
Insurance Benefits	1,698	1,933	15	1,948
Other Benefits	150	78	19	97
Total Personal Services	$ 42,887	$ 44,886	$ 323	$ 45,209
Purchased Services	$254,980	$283,558	$ 2,055	$285,613
Materials and Supplies	1,776	2,222	292	2,514
Capital Outlay:				
Equipment	2,536	1,447	817	2,264
Real Property	4,324	2,439	2,454	4,893
Grants and Subsidies:				
Individuals	11,306	3,309	1	3,310
Cities	19,174	11,401	8,766	20,167
Towns	7,013	6,476	2	6,478
Counties	178,186	189,824	671	190,495
School Districts	83,880	91,866	250	92,116
Private Organizations	21,919	34,011	1,861	35,872
Other	29,111	13,675	19,370	33,045
Total Grants and Subsidies	$350,589	$350,562	$30,921	$381,483
Redistributed Cost	$ 1,608	$ 943	$ 167	$ 1,110
Reimbursements to General Fund:				
Public Welfare	12,581	37,359		37,359
Indirect Costs	478	388		388
Total Expenditures and Encumbrances	$671,759	$723,804	$37,029	$760,833
Operating Transfers to Other Funds				
General Fund	$ 48,590	$ 48,442	$ N/A	$ 48,442
Special Revenue Fund	59	114		114
State Airports Fund		25		25
Trunk Highway Fund	400	296		296
Employment Services Fund	212	560		560
Other Funds	1			
Total Transfers to Other Funds	$ 49,262	$ 49,437	$	$ 49,437
Total Expenditures, Encumbrances and Transfers to Other Funds	$721,021	$773,241	$37,029	$810,270

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA
FEDERAL FUND
COMPARATIVE SCHEDULE OF REVENUE
BY FUNCTIONAL CATEGORY (3)
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	(Unaudited) 1979
Central Fiscal and Administrative	$ 6,820	$ 9,128
Protection of Persons and Property	19,974	20,002
Health, Welfare, Social Development	447,600	511,018
Environment and Transportation	12,761	15,720
Economic Development and Security	56,264	60,598
Education and Training	116,560	133,440
Consumer Protection	100	362
Legislative Judicial and Constitutional Officers	48,858	46,143
Gross Revenue	$708,937	$796,411
Less Revenue Refunds	806	654
Net Revenue	$708,131	$795,757

Federal Fund Footnotes

1. The Federal Fund Balance Sheet represents the net of all federal programs on June 30. Reporting for each federal program as it relates to their type of funding is done by agencies pursuant to federal regulations.
2. When a federal program is established, federal monies are restricted to that program. Should it be cancelled, excess monies will revert to the federal government. Thus, the unreserved fund balance for federal funds will always be zero. Accounts Receivable on June 30 includes an estimated $26 million necessary to bring the unreserved fund balance to zero.
3. See General Organization Chart for Department Classification.

STATE OF MINNESOTA

EMPLOYMENT SERVICES ADMINISTRATION FUND
COMPARATIVE BALANCE SHEET (1)
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
ASSETS		
Cash	$1,267	$ 219
Imprest Cash	3	5
Accounts Receivable	1,333	1,786
Due from Other Funds	18	98
Prepaid Expenses	1	4
Total Assets	$2,622	$2,112
LIABILITIES AND FUND BALANCE		
Liabilities:		
Warrants Payable	$1,115	$ 7
Salaries Payable	863	1,004
Accounts Payable	445	391
Payable to Other Funds		233
Total Liabilities	$2,423	$1,635
Fund Balance:		
Reserved for Encumbrances	$ 199	$ 477
Total Fund Balance	$ 199	$ 477
Total Liabilities and Fund Balance	$2,622	$2,112

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

EMPLOYMENT SERVICES ADMINISTRATION FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
Revenues:		
Federal Grants – Manpower Services	$30,722	$30,399
Intergovernmental Revenue	1,316	1,239
Other Revenue	12	15
Gross Revenue	$32,050	$31,653
Less Revenue Refunds	(9)	
Net Revenue	$32,041	$31,653
Other Financing Sources:		
Operating Transfers from Federal Fund	$ 212	$ 560
Cancellation of Prior Years Encumbrances	34	158
Other		2
Total Other Financing Sources	$ 246	$ 720
Total Sources	$32,287	$32,373
Expenditures and Encumbrances:		
Current:		
Personal Services	$25,919	$26,490
Purchased Services	3,251	3,885
Materials and Supplies	297	354
Grants and Subsidies	1,383	913
Redistributed Costs	(37)	
Capital Outlay:		
Equipment	160	167
Real Property	7	
Total Expenditures and Encumbrances	$30,980	$31,809
Other Financing Uses:		
Operating Transfer to Debt Service Fund	$ 247	$ 474
All Other Operating Transfers	995	90
Other	65	
Total Other Financing Uses	$ 1,307	$ 564
Total Uses	$32,287	$32,373
Net Change in Unreserved Fund Balance for the Year	$	$
Changes in Reserved Fund Balance for the Year:		
Cancellation of Prior Years Encumbrances	$ (34)	$ (158)
Prior Years Encumbrances Expended During Year	(2,324)	(41)
Current Year Encumbrances	162	477
Net Change in Reserved Fund Balance for the Year	$(2,196)	$ 278
Total Changes in Fund Balance for the Year	$(2,196)	$ 278
Fund Balance, July 1	2,395	199
Fund Balance, June 30	$ 199	$ 477

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

EMPLOYMENT SERVICES ADMINISTRATION FUND
COMPARATIVE STATEMENT OF EXPENDITURES AND TRANSFERS TO OTHER FUNDS
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) Expenditures Encumbrances 1978	Expenditures 1979	Encumbrances 1979	Expenditures Encumbrances 1979
Expenditures and Encumbrances:				
Salaries	$21,828	$22,328	$ 1	$22,329
Retirement Contributions	2,564	2,633		2,633
Insurance Benefits	1,285	1,390		1,390
Other Benefits	242	124	14	138
Total Personal Services	$25,919	$26,475	$ 15	$26,490
Purchased Services	$ 3,251	$ 3,637	$248	$ 3,885
Materials and Supplies	297	335	19	354
Capital Outlay:				
Equipment	160	114	53	167
Real Property	7			
Grants and Subsidies:				
Individuals	4	4		4
Cities	9	5		5
Counties	28	19		19
School Districts	449	311	32	343
Private Organizations	817	431		431
Other	76	1	110	111
Total Grants and Subsidies	$ 1,383	$ 771	$142	$ 913
Redistributed Costs	$ (37)	$	$	$
Total Expenditures and Encumbrances	$30,980	$31,332	$477	$31,809
Operating Transfers to Other Funds:				
General Fund	$ 705	$	N/A	$
Federal Fund	290	90		90
Debt Service	247	474		474
Total Operating Transfers to Other Funds	$ 1,242	$ 564	$	$ 564
Total Expenditures, Encumbrances and Transfers to Other Funds	$32,222	$31,896	$477	$32,373

The footnotes are an integral part of the financial statements.

Employment Services Administration Fund

1. Federal monies are restricted to the administration of this program and any cancellations revert to the federal government. Thus, the unreserved fund balance for this fund will always be zero. Accounts receivable on June 30 includes an estimated $330,000 necessary to bring the unreserved fund balance to zero.

STATE OF MINNESOTA

GIFT FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) Total 1978	Colleges and State Universities 1979	Other Agencies 1979	Total 1979
ASSETS				
Cash	$ 662	$248	$ 747	$ 995
Accrued Investment Income	11		6	6
Accounts Receivable	77	4	55	59
Investments (1979 market value of $668)	1,423		662	662
Total Assets	$2,173	$252	$1,470	$1,722
LIABILITIES AND FUND BALANCE				
Liabilities:				
Warrants Payable	$ 6	$	$ 1	$ 1
Salaries Payable		9	2	11
Accounts Payable	191	39	228	267
Payable to Other Funds	2			
Total Liabilities	$ 199	$ 48	$ 231	$ 279
Fund Balance:				
Reserved for Encumbrances	$ 564	$ 58	$ 295	$ 353
Unreserved:				
Restricted for Appropriation Carryover	1,410	146	944	1,090
Total Fund Balance	$1,974	$204	$1,239	$1,443
Total Liabilities and Fund Balance	$2,173	$252	$1,470	$1,722

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

GIFT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) Total 1978	Colleges and State Universities 1979	Other Agencies 1979	Total 1979
Revenues:				
Gifts, Donations, Bequests	$1,700	$188	$ 767	$ 955
Investment Income	96		58	58
Other Revenue	244	225	5	230
Gross Revenue	$2,040	$413	$ 830	$1,243
Less Revenue Refunds	47	4	10	14
Net Revenues	$1,993	$409	$ 820	$1,229
Other Financing Sources:				
Operating Transfers from Other Funds	$ 64	$	$ 42	$ 42
Cancellation of Prior Years Encumbrances	216	51	109	160
Other	14	69	25	94
Total Other Financing Sources	$ 294	$120	$ 176	$ 296
Total Sources	$2,287	$529	$ 996	$1,525
Expenditures and Encumbrances:				
Current:				
Personal Services	$ 283	$209	$ 69	$ 278
Purchased Services	540	64	506	570
Materials and Supplies	90	13	230	243
Grants and Subsidies	114	3	119	122
Redistributed Costs	27	20		20
Capital Outlay:				
Equipment	436	2	46	48
Real Property	696		557	557
Total Expenditures and Encumbrances	$2,186	$311	$1,527	$1,838
Other Financing Uses:				
Operating Transfers to Other Funds	$ 48	$	$ 6	$ 6
Other			1	1
Total Other Financing Uses	$ 48	$	$ 7	$ 7
Total Uses	$2,234	$311	$1,534	$1,845
Net Change in Unreserved Fund Balance for the Year	$ 53	$218	$ (538)	$ (320)
Changes in Reserved Fund Balances:				
Cancellation of Prior Years Encumbrances	$ (216)	$ (51)	$ (109)	$ (160)
Prior Years Encumbrances Expended During Year	(628)	(113)	(248)	(361)
Current Year Encumbrances	532	23	287	310
Net Change in Reserved Fund Balance for the Year	$ (312)	$(141)	(70)	$ (211)
Total Changes in Fund Balance for the Year	$ (259)	$ 77	$ (608)	$ (531)
Fund Balance, July 1	2,233	127	1,847	1,974
Fund Balance, June 30	$1,974	$204	$1,239	$1,443

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA
GIFT FUND
COMPARATIVE STATEMENT OF REVENUES AND TRANSFERS TO OTHER FUNDS
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
Revenues:		
Gifts, Donations, Bequests	$1,700	$ 955
Investment Income	96	58
Other Revenue	244	230
Gross Revenue	$2,040	$1,243
Less Revenue Refunds	47	14
Net Revenue	$1,993	$1,229
Operating Transfers from Other Funds:		
General Fund	$ 63	$
Special Revenue Fund	1	1
Agency Fund		41
Total Transfers from Other Funds	$ 64	$ 42
Total Revenue and Transfers from Other Funds	$2,057	$1,271

The footnotes are an integral part of the financial statements.

GIFT FUND
COMPARATIVE STATEMENT OF EXPENDITURES AND TRANSFERS TO OTHER FUNDS
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) Expenditures Encumbrances 1978	Expenditures 1979	Encumbrances 1979	Expenditures Encumbrances 1979
Expenditures and Encumbrances:				
Salaries	$ 250	$ 239	$ 6	$ 245
Retirement Contributions	24	22		22
Insurance Benefits	9	11		11
Other Benefits				
Total Personal Services	$ 283	$ 272	$ 6	$ 278
Purchased Services	$ 540	$ 363	$207	$ 570
Materials and Supplies	90	226	17	243
Grants and Subsidies:				
Individuals	3	6		6
Counties	6	1		1
Private Organizations	104	101		101
Other	1	2	12	14
Total Grants and Subsidies	$ 114	$ 110	$ 12	$ 122
Redistributed Costs	$ 27	$ 19	$ 1	$ 20
Capital Outlay:				
Equipment	436	40	8	48
Real Property	696	497	60	557
Total Expenditures and Encumbrances	$2,186	$1,527	$311	$1,838
Operating Transfers to Other Funds:				
General Fund	$	$ 2	N/A	$ 2
Special Revenue Fund	3			
Federal Fund		4		4
Endowment Fund	45			
Total Operating Transfers to Other Funds	$ 48	$ 6	$	$ 6
Total Expenditures, Encumbrances, and Transfers to Other Funds	$2,234	$1,533	$311	$1,844

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA
GENERAL FUND PROJECT (1)
COMPARATIVE BALANCE SHEET
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
ASSETS		
Cash	$14,279	$10,400
Due from Other Funds		796
Total Assets	$14,279	$11,196
LIABILITIES AND FUND BALANCE		
Liabilities:		
Warrants Payable	$ 20	$
Fund Balance:		
Reserved for Capital Projects (2)	$14,259	$11,196
Total Liabilities and Fund Balance	$14,279	$11,196

The footnotes are an integral part of the financial statements.

GENERAL FUND PROJECT
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
Sources:		
Transfers from Other Funds:		
General Fund	$ 6,511	$ 2,807
Game and Fish Fund	284	
Trunk Highway Fund	103	
Prior Year Transfer	4,920	230
Total Sources	$11,818	$ 3,037
Expenditures:		
Current:		
Personal Services	$ 99	$ 165
Purchased Services	657	569
Materials and Supplies	48	41
Grants and Subsidies	2,093	1,863
Capital Outlay:		
Equipment	518	271
Real Property	4,262	2,857
Total Expenditures	$ 7,677	$ 5,766
Other Financing Uses:		
Transfers to General Fund	$	$ 334
Total Uses	$ 7,677	$ 6,100
Total Changes in Reserve for Capital Projects	$ 4,141	$ (3,063)
Fund Balance, July 1	10,118	14,259
Fund Balance, June 30	$14,259	$11,196

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

GENERAL FUND PROJECT
SCHEDULE OF EXPENDITURES BY AGENCY
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)
(Unaudited)

	1978	1979
Agency:		
Administration	$1,249	$3,088
Military Affairs		30
Natural Resources		17
Pollution Control		1,646
Education		22
State University System	221	268
Community College System	74	528
Historical Society	161	167
Total Expenditures by Agency	**$1,705**	**$5,766**

General Fund Project Fund Footnotes

1. Basis of Accounting – Revenues and expenditures are maintained on a cash basis.
2. Includes long-term construction contracts of $4,602,000 as of June 30, 1979.

STATE OF MINNESOTA

TRANSPORTATION FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
ASSETS		
Cash	$48,467	$23,393
Accounts Receivable	3,297	
Federal Aid Receivable	140	2,410
Federal Aid Agreements (1)	14,359	
Bonds Authorized and Unissued	12,000	
Total Assets	$78,263	$25,803
LIABILITIES AND FUND BALANCE		
Liabilities:		
Warrants Payable	$ 466	$
Accounts Payable	10,022	3,823
Total Liabilities	$10,488	$ 3,823
Fund Balance:		
Reserved Fund Balance:		
Reserved for Encumbrances (1)	$23,356	$ 5,391
Reserved for Bonds Authorized and Unissued	12,000	
Total Reserved Fund Balance	$35,356	$ 5,391
Unreserved Fund Balance:		
Restricted for Appropriation Carryover	$32,419	$16,589
Total Fund Balance	$67,775	$21,980
Total Liabilities and Fund Balance	$78,263	$25,803

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

TRANSPORTATION FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
Revenues:		
Federal Grants	$ 7,575	$
General Obligation Bonds	38,000	12,000
Other	3	2
Total Revenues	**$45,578**	**$12,002**
Other Financing Sources:		
Cancellation of Prior Years Encumbrances	$ 414	$ 627
Net Increase in Federal Aid Agreements	9,663	
Prior Years Federal Aid Agreements Executed		11,810
Adjustment to Prior Years Federal Aid Receivable		(2,523)
Total Other Financing Sources	**$10,077**	**$ 9,914**
Total Sources	**$55,655**	**$21,916**
Expenditures:		
Current:		
Grants and Subsidies	$28,249	$23,375
Capital Outlay – Real Property	27,524	12
Total Expenditures	**$55,773**	**$23,387**
Deduction of Prior Year Federal Aid Agreements	$	$14,359
Net Change in Unreserved Fund Balance	**$ (118)**	**$(15,830)**
Changes in Reserved Fund Balance:		
Cancellation of Prior Years Encumbrances	$ (414)	$ (627)
Prior Years Encumbrances Expended During Year	(10,410)	(19,095)
Current Year Encumbrances	21,765	1,757
Reserved for Bonds Authorized and Unissued	12,000	(12,000)
Net Change in Reserved Fund Balance	**$22,941**	**$(29,965)**
Total Changes in Fund Balances	**$22,823**	**$(45,795)**
Fund Balances, June 30, 1978	44,952	67,775
Fund Balances, June 30, 1979	**$67,775**	**$21,980**

The footnotes are an integral part of the financial statements.

Transportation Fund Footnotes

1. Traditionally, federal aid agreements have been shown as an asset to offset related project encumbrances of which there was no material effect to the Unrestricted Fund Balance. To comply with the Restatements of Governmental Accounting, Auditing, and Financial Reporting Principles for fiscal year 1979, project encumbrances and federal aid agreements will no longer be recognized until the period in which the liability is incurred. The amount of outstanding federal aid agreements at the end of fiscal year 1979 was $2,972,000.

STATE OF MINNESOTA

BUILDING FUND (1)
COMPARATIVE BALANCE SHEET
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
ASSETS AND RESOURCES		
Cash	$ 706	$ (1,622)
Investments (1979 market value of $69,536) (2)	69,295	68,344
Bonds Authorized and Unissued	141,195	159,984
Total Assets and Resources	**$211,196**	**$226,706**
LIABILITIES AND FUND BALANCE		
Liabilities:		
Warrants Payable	$ 299	$ 213
Total Liabilities	**$ 299**	**$ 213**
Fund Balance:		
Reserved Fund Balance:		
Reserved for Capital Projects	$ 69,702	$ 66,509
Reserved for Bonds Authorized and Unissued	141,195	159,984
Total Reserved Fund Balance (3)	**$210,897**	**$226,493**
Total Liabilities and Fund Balance	**$211,196**	**$226,706**

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

BUILDING FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
Revenues:		
General Obligation Bonds (4)	$ 65,000	$ 60,000
Other Income	12	
Total Revenues (2)	**$ 65,012**	**$ 60,000**
Transfers from General Fund	$ 33	$ 9
Total Sources	**$ 65,045**	**$ 60,009**
Expenditures:		
Current:		
Personal Services	$ 868	$ 1,278
Purchased Services	1,159	4,043
Materials and Supplies	172	258
Grants and Subsidies	48,896	25,297
Redistributed Costs	3	5
Capital Outlay:		
Equipment	226	400
Real Property	18,855	30,750
Total Expenditures	**$ 70,179**	**$ 62,031**
Other Uses:		
Transfers to Debt Service Fund	$ 1,806	$ 1,130
Other	312	41
Total Other Uses	**$ 2,118**	**$ 1,171**
Total Uses	**$ 72,297**	**$ 63,202**
Total Change in Reserved for Capital Projects	**$ (7,252)**	**$ (3,193)**
Changes in Reserved for Bonds Authorized and Unissued:		
Bonds Authorized During Year	$203,266	$ 78,789
Bonds Sold during Year	(65,000)	(60,000)
Net Change in Reserved for Bonds Authorized and Unissued	**$138,266**	**$ 18,789**
Total Changes in Reserved Fund Balance	**$131,014**	**$ 15,596**
Fund Balance, July 1	79,883	210,897
Fund Balance, June 30	**$210,897**	**$226,493**

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

BUILDING FUND
COMPARATIVE STATEMENT OF EXPENDITURES AND TRANSFERS TO OTHER FUNDS
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
Expenditures:		
Personal Services	$ 868	$ 1,278
Purchased Services	1,159	4,043
Materials and Supplies	172	258
Capital Outlay:		
Equipment	226	400
Real Property	18,855	30,750
Grants and Subsidies:		
Metropolitan Parks and Trails	28,549	2,576
Vocational Technical School	3,072	9,702
University of Minnesota	17,018	12,254
Other	257	765
Redistributed Cost	3	5
Total Expenditures	$70,179	$62,031
Transfers to Other Funds:		
General Fund	$ 312	$
Debt Service Fund	1,806	1,130
Total Transfers to Other Funds	$ 2,118	$ 1,130
Total Expenditures and Transfers to Other Funds	$72,297	$63,161

BUILDING FUND
EXPENDITURES BY AUTHORIZATION
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
Authorization:		
Laws of Minnesota 1965 Chapter 882	$ 13	$ 7
Laws of Minnesota 1969 Chapter 1159	266	56
Laws of Minnesota 1971 Chapter 963	2,973	661
Laws of Minnesota 1973 Chapter 778	458	490
Laws of Minnesota 1974 Chapter 516		30
Laws of Minnesota 1975 Chapter 204	7	7
Laws of Minnesota 1975 Chapter 436	6,543	7,977
Laws of Minnesota 1976 Chapter 348	23,630	24,016
Laws of Minnesota 1977 Chapter 421	31,088	9,706
Laws of Minnesota 1977 Chapter 451	617	5,934
Laws of Minnesota 1978 Cahpter 792	4,582	13,146
Bond Sale Expense	2	1
Total Expenditures	$70,179	$62,031

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

BUILDING FUND
SCHEDULE OF CHANGE IN BONDS AUTHORIZED AND UNISSUED
YEAR ENDED JUNE 30, 1978
(000's Omitted)
(Unaudited)

Legal Citation:	Bonds Authorized and Unissued July 1, 1977	1978 Authorization	Issued	Bonds Authorized and Unissued June 30, 1978
Laws of Minnesota 1973 Chapter 778	$ 1,065	$	$	$ 1,065
Laws of Minnesota 1976 Chapter 348	1,864			1,864
Laws of Minnesota 1977 Chapter 421		61,500	54,000	7,500
Laws of Minnesota 1977 Chapter 451		34,866	11,000	23,866
Laws of Minnesota 1978 Chapter 792		106,900		106,900
Totals	$ 2,929	$203,266	$65,000	$141,195

BUILDING FUND
STATEMENT OF CHANGE IN BONDS AUTHORIZED AND UNISSUED
YEAR ENDED JUNE 30, 1979
(000's Omitted)

Legal Citation:	Bonds Authorized and Unissued July 1, 1978	1979 Authorization	Issued	Bonds Authorized and Unissued June 30, 1979
Laws of Minnesota 1973 Chapter 778	$ 1,065	$	$ 1,065	$
Laws of Minnesota 1976 Chapter 348	1,864		1,864	
Laws of Minnesota 1977 Chapter 421	7,500			7,500
Laws of Minnesota 1977 Chapter 451	23,866		23,866	
Laws of Minnesota 1978 Chapter 792	106,900		33,205	73,695
Laws of Minnesota 1979 Chapter 300		3,275		3,275
Laws of Minnesota 1979 Chapter 338		75,514		75,514
Totals	$141,195	$78,789	$60,000	$159,984

Building Fund Footnotes

1. Basis of Accounting – Revenues and expenditures are on a cash basis.
2. All investment income is credited directly to the Debt Service Fund.
3. Includes $103,298,000 in long-term construction contracts.
4. Bonds authorized and unissued are not recognized as revenue until sold.

STATE OF MINNESOTA
BONDS PROCEEDS FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
ASSETS AND RESOURCES		
Cash	$ 1,175	$ 645
Investments (1979 market value of $8,176) (1)	5,488	8,037
Bonds Authorized and Unissued (3)	89,000	74,000
Total Assets and Resources	**$95,663**	**$82,682**
LIABILITIES AND FUND BALANCE		
Liabilities:		
Warrants Payable	$ 134	$
Accounts Payable	236	27
Total Liabilities	**$ 370**	**$ 27**
Fund Balance:		
Reserved Fund Balance:		
Reserved for Encumbrances	$ 343	$
Reserved for Bonds Authorized and Unissued	89,000	74,000
Reserved for Capital Projects	5,950	8,655
Total Reserved Fund Balance (2)	**$95,293**	**$82,655**
Total Liabilities and Fund Balance	**$95,663**	**$82,682**

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

BOND PROCEEDS FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
Revenues:		
General Obligation Bonds	$	$15,000
Investment Income	171	22
Other	1	8
Total Revenues (1)	$ 172	$15,030
Other Financing Sources:		
Prior Years Receipts	$	$ 47
Cancellation of Prior Years Encumbrances		260
Total Other Sources	$	$ 307
Total Sources	$ 172	$15,337
Expenditures:		
Current:		
Purchased Services	$ 511	$
Materials and Supplies	312	
Pollution Control Grants	10,624	12,393
Capital Outlay:		
Equipment	61	
Real Property	4,030	239
Reimbursement to General Fund	2	
Total Expenditures	$15,540	$12,632
Operating Transfers to General Fund	$ 338	$
Total Uses	$15,878	$12,632
Net Change in Reserved for Capital Projects	$(15,706)	$ 2,705
Change in Reserved Fund Balance:		
Cancellation of Prior Years Encumbrances	$	$ (260)
Prior Years Encumbrances Paid During Year	(2)	(83)
Current Year Encumbrances	341	
Change in Bonds Authorized and Unissued	40,000	(15,000)
Total Changes in Reserved Fund Balances	$24,633	$(12,638)
Fund Balance, July 1	70,660	95,293
Fund Balance, June 30	$95,293	$82,655

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA
BOND PROCEEDS FUND
SCHEDULE OF CHANGES IN BONDS AUTHORIZED AND UNISSUED
YEAR ENDED JUNE 30, 1978
(000's Omitted)
(Unaudited)

	Bonds Authorized and Unissued July 1, 1977	1978 Authorization	Issued	Bonds Authorized and Unissued June 30, 1978
Legal Citation:				
Laws of Minnesota 1971 Chapter 856	$20,000	$	$	$20,000
Laws of Minnesota 1975 Chapter 354	29,000			29,000
Laws of Minnesota 1977 Chapter 418		40,000		40,000
Totals	**$49,000**	**$40,000**	**$**	**$89,000**

BOND PROCEEDS FUND
SCHEDULE OF CHANGES IN BONDS AUTHORIZED AND UNISSUED
YEAR ENDED JUNE 30, 1979
(000's Omitted)

	Bonds Authorized and Unissued July 1, 1978	1979 Authorization	Issued	Bonds Authorized and Unissued June 30, 1978
Legal Citation:				
Laws of Minnesota 1971 Chapter 856	$20,000	$	$	$20,000
Laws of Minnesota 1975 Chapter 354	29,000		15,000	14,000
Laws of Minnesota 1977 Chapter 418	40,000			40,000
Totals	**$89,000**	**$**	**$15,000**	**$74,000**

Bond Proceeds Fund Footnotes

1. Investment income from the investment of bond proceeds from pollution control bonds are credited directly into the Debt Service Fund.
2. Includes $21,861,000 in long-term grants to municipalities for construction of waste treatment facilities.
3. Bonds authorized and unissued are not recognized as revenue until sold. In prior years, bonds were recognized as revenue when authorized. The 1978 statements have been restated to conform to the current year presentation.

STATE OF MINNESOTA
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
ASSETS		
Cash	$4,402	$ 6,523
Accrued Investment Income (2)	1,549	1,191
Due from Other Funds (1)		96,618
Total Assets	$5,951	$104,332
LIABILITIES AND FUND BALANCE		
Liabilities:		
Payable to Other Funds	$	$ 149
Total Liabilities	$	$ 149
Fund Balance:		
Unreserved:		
Restricted for Debt Service	$5,951	$104,183
Total Liabilities and Fund Balance	$5,951	$104,332

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

DEBT SERVICE FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
Revenues:		
Accrued Interest on Bonds	$ 327	$ 152
Premium on Bonds	358	49
Agency Deposits	1,312	1,313
Income from Investments	5,915	3,620
Other Income	592	346
Total Revenues	$ 8,504	$ 5,480
Other Financing Sources:		
Operating Transfers from:		
General Fund	$58,510	$150,924
Special Revenue Fund	203	406
State Airports Fund	472	937
Trunk Highway Fund	13,050	28,400
Employment Services Fund	247	474
Building Fund	1,806	1,130
Maximum Effort School Loan Fund	3,062	10,257
Total Operating Transfers	$77,350	$192,528
Prior Year Transfers In	$	$ 43
Total Other Financing Sources	$77,350	$192,571
Total Sources	$85,854	$198,051
Expenditures:		
Current:		
Purchased Services	$ 15	$ 53
Debt Service:		
Debt Redemption	53,688	62,349
Interest on Debt	31,697	37,417
Total Expenditures	$85,400	$ 99,819
Other Financing Uses:		
Prior Year Transfers Out	$ 6	$
Total Uses	$85,406	$ 99,819
Net Change in Unreserved Fund Balance for the Year	$ 448	$ 98,232
Fund Balances, July 1	5,503	5,951
Fund Balances, June 30	$ 5,951	$104,183

The footnotes are an integral part of the financial statements.

Debt Service Fund

1. See general footnote No. 3, pages 37-38.
2. Investment income credited directly from the Building Fund.

The **AGENCY FUND** holds in trust social security contributions from governmental units, and deposits of patients and inmates in state institutions.

The **MUNICIPAL STATE AID STREET FUND** receives 9 percent of the revenue received by the Highway User Tax Distribution Fund.

The **COUNTY STATE AID HIGHWAY FUND** receives 29 percent of the revenue received by the Highway User Tax Distribution Fund.

The **DISBURSEMENTS CLEARING FUND** maintains sufficient cash to redeem outstanding warrants.

The **ENDOWMENT SCHOOL FUND** receives revenue from interest and dividends on investments of the Permanent School Fund and distributes it to school districts.

The **INTERNAL IMPROVEMENT LAND FUND** is a constitutionally established trust fund which receives revenue from investments and from the sale of state land and timber. The investment earnings are transferred to the County State Aid Highway Fund.

The **ENDOWMENT FUND** receives revenue from gifts for which only the earnings are available for use.

The **PERMANENT SCHOOL FUND** is a constitutionally established trust fund which receives revenue from investments and from sale of state land and timber. The investment earnings are transferred to the Endowment School Fund for distribution to school districts.

The **INVESTMENT BOARD ADMINISTERED FUNDS** are created to permit individuals and retirement associations to deposit monies for various investment alternatives as authorized by law.

These funds are: the **Minnesota Supplemental Retirement Fund** (includes the income share account, growth share account and fixed return account), the **Minnesota Variable Annuity Fund** and the **Minnesota Adjustable Fixed Benefit Fund.**

The pension trust funds (**State Employees, Highway Patrolmens, Unclassified Employees,** and **Judges Retirement**) receive contributions from members and employers, investment income, and other amounts authorized by law that is used to pay retirement and disability pensions and administrative expenses.

The **DEFERRED COMPENSATION FUND** is the investment plan by which state employees and officials may defer receiving part of their salary and also postpone the income tax liability until after retirement.

STATE OF MINNESOTA

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 1979
(000's Omitted)

	(Unaudited) Balances June 30, 1978	Additions	Deductions	Balances June 30, 1979
ASSETS				
Cash	$45,451	$ 399,065	$ 414,018	$30,498
Imprest Cash	188	12	8	192
Accrued Investment Income	77	252	231	98
Accounts Receivable	52	356,709	356,293	468
Due from Other Funds	3	670	648	25
Investments (1979 market value of $2,049)	2,157	28,469	28,674	1,952
Total Assets	$47,928	$ 785,177	$ 799,872	$33,233
LIABILITIES				
Warrants Payable	$11,999	$ 356,160	$ 367,858	$ 301
Salaries Payable	384	8,360	8,470	274
Accounts Payable	753	348,633	347,690	1,696
Payable to Other Funds	5	437	442	
Funds Held in Trust	34,787	337,687	341,512	30,962
Total Liabilities	$47,928	$1,051,277	$1,065,972	$33,233

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA
AGENCY FUND
SCHEDULE OF CHANGES IN FUNDS HELD IN TRUST
YEAR ENDED JUNE 30, 1979
(000's Omitted)

Sources:		
Receipts:		
Federal Grants – Highways	$ 20,778	
Intergovernmental Revenue	36,862	
Departmental Earnings	231	
Federal Insurance Contributions	251,263	
Employee Contributions	2,705	
Agency Deposits	32,343	
State Administered Local Taxes	7,080	
Investment Income	175	
Other Revenues	1,457	
Gross Receipts	$352,894	
Less Refunds	15,858	
Net Receipts		$337,036
Other Sources:		
Operating Transfers from Other Funds:		
Enterprise Fund	$ 316	
Special Revenue Fund	49	
Judges Retirement Fund	280	
Prior Years Receipts and Transfers	6	
Total Other Sources		$ 651
Total Sources		$337,687
Uses:		
Expenditures for which the Liability was Incurred during the Year:		
Personal Services	$ 8,470	
Purchased Services	86	
Materials and Supplies	1,312	
Federal Insurance Contributions	252,935	
Grants and Subsidies:		
Annuities and Pensions	2,979	
Claims, Awards, Indemnities	18,988	
Shared Revenue	26,317	
Other	73	
Total Grants and Subsidies	$ 48,357	
Capital Outlay:		
Equipment	$ 36	
Real Property	29,406	
Total Expenditures		$340,602
Other Uses:		
Operating Transfers to Other Funds:		
General Fund	$ 24	
Gift and Deposit Fund	41	
Enterprise Fund	386	
Judges Retirement Fund	399	
Total Operating Transfers	$ 850	
Prior Year Transfers	$ 60	
Total Other Uses		$ 910
Total Uses		$341,512
Change in Funds Held in Trust for the Year		$ (3,825)
Funds Held in Trust June 30, 1978		34,787
Funds Held in Trust June 30, 1979		$ 30,962

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

MUNICIPAL STATE AID – STREET FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 1979
(000's Omitted)

	(Unaudited) Balances June 30, 1978	Additions	Deductions	Balances June 30, 1979
ASSETS				
Cash	$ 1	$ 33,273	$ 33,273	$ 1
Due from Other Funds	452	28,537	28,989	
Accrued Investment Income	937	4,806	3,818	1,925
Investments (1979 market value of $61,183)	54,095	204,476	199,313	59,258
Total Assets	**$55,485**	**$271,092**	**$265,393**	**$61,184**
LIABILITIES				
Warrants Payable	$ 1,506	$ 29,520	$ 28,106	$ 2,920
Accounts Payable	5,168	29,240	29,519	4,889
Payable to Other Funds		17	4	13
Funds Held in Trust	48,811	33,795	29,244	53,362
Total Liabilities	**$55,485**	**$ 92,572**	**$ 86,873**	**$61,184**

The footnotes are an integral part of the financial statements.

MUNICIPAL STATE AID – STREET FUND
SCHEDULE OF CHANGES IN FUNDS HELD IN TRUST
YEAR ENDED JUNE 30, 1979
(000's Omitted)

	1979
Sources:	
Income from Investments	$ 4,806
Operating Transfer from Highway User Tax Distribution Fund	28,989
Total Sources	**$33,795**
Uses:	
Expenditures for which the Liability was Incurred During Year:	
Purchased Services	$ 331
Grants to Cities	28,909
Reimbursement to General Fund for Indirect Costs	4
Total Uses	**$29,244**
Change in Funds Held in Trust for the Year	**$ 4,551**
Funds Held in Trust, June 30, 1978	**48,811**
Funds Held in Trust, June 30, 1979	**$53,362**

STATE OF MINNESOTA

COUNTY STATE AID – HIGHWAY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 1979
(000's Omitted)

	(Unaudited) Balances June 30, 1978	Additions	Deductions	Balances June 30, 1979
ASSETS				
Cash	$ 37	$102,212	$102,248	$ 1
Accrued Investment Income	1,583	8,320	6,947	2,956
Due from Other Funds	1,498	92,264	93,754	8
Investments (1979 market value of $100,117)	92,375	408,013	403,227	97,161
Total Assets	**$95,493**	**$610,809**	**$606,176**	**$100,126**
LIABILITIES				
Warrants Payable	$14,188	$101,339	$ 97,456	$ 18,071
Accounts Payable	16,267	99,711	101,338	14,640
Payable to Other Funds		20	7	13
Funds Held in Trust	65,038	102,082	99,718	67,402
Total Liabilities	**$95,493**	**$303,152**	**$298,519**	**$100,126**

The footnotes are an integral part of the financial statements.

COUNTY STATE AID – HIGHWAY FUND
SCHEDULE OF CHANGES IN FUNDS HELD IN TRUST
YEAR ENDED JUNE 30, 1979
(000's Omitted)

	1979
Sources:	
Income from Investments	$ 8,320
Operating Transfers from Other Funds:	
Highway User Tax Distribution Fund	93,731
Internal Improvement Land Fund (Investment Income)	31
Total Sources	**$102,082**
Uses:	
Expenditures for which the Liability was Incurred During Year:	
Purchased Services	$ 1,157
Equipment	2
Grants to Counties	98,552
Reimbursement to General Fund for Indirect Costs	7
Total Uses	**$ 99,718**
Change in Funds Held in Trust for the Year	**$ 2,364**
Funds Held in Trust, June 30, 1978	65,038
Funds Held in Trust, July 1, 1979	$ 67,402

STATE OF MINNESOTA
DISBURSEMENT CLEARING FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 1979
(000's Omitted)

	(Unaudited) Balances June 30, 1978	Additions	Deductions	Balances June 30, 1979
ASSETS				
Cash	$19,874	$5,332,147	$5,290,913	$61,108
Accounts Receivable	113	365	478	
Due from Other Funds		13		13
Total Assets	$19,987	$5,332,525	$5,291,391	$61,121
LIABILITIES				
Warrants Payable	$19,985	$5,332,395	$5,291,389	$60,991
Payable to Other Funds	2	130	2	130
Total Liabilities	$19,987	$5,332,525	$5,291,391	$61,121

The footnotes are an integral part of the financial statements.

ENDOWMENT SCHOOL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
ASSETS		
Cash	$ (6)	$ 3
Investments (1979 market value of $7,086)	6,429	6,990
Accrued Investment Income	70	96
Accounts Receivable		1
Due from Permanent School Fund	25	145
Total Assets	$6,518	$7,235
LIABILITIES AND FUND BALANCE		
Liabilities:		
Warrants Payable	$ 1	$
Fund Balance	$6,517	$7,235
Total Liabilities and Fund Balance	$6,518	$7,235

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

ENDOWMENT SCHOOL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
Revenues:		
Income from Investments	$ 528	$ 571
Other Income	12	16
Total Revenues	$ 540	$ 587
Other Financing Sources:		
Transfers from Permanent School Fund	$15,414	$17,018
Prior Years Adjustment		43
Total Other Financing Sources	$15,414	$17,061
Total Sources	$15,954	$17,648
Expenditures:		
Purchased Services	$ 3	$ 1
Grants to School Districts	15,375	16,929
Total Expenditures	$15,378	$16,930
Other Financing Uses:		
Transfers to Special Revenue Fund	$ 1	$
Total Uses	$15,379	$16,930
Net Change in Fund Balance	$ 575	$ 718
Fund Balance, July 1	5,942	6,517
Fund Balance, June 30	$6,517	$7,235

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA
INTERNAL IMPROVEMENT LAND FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
ASSETS		
Cash	$ 6	$ 24
Accrued Investment Income	8	8
Investments (1979 market value of $482)	474	474
Total Assets (1)	$488	$506
LIABILITIES AND FUND BALANCE		
Liabilities:		
Due to County State Aid Highway Fund	$ 8	$ 8
Fund Balance:		
Restricted	$480	$498
Total Liabilities and Fund Balance	$488	$506

The footnotes are an integral part of the financial statements.

INTERNAL IMPROVEMENT LAND FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
Revenues:		
Use of Property – Rentals	$ 10	$ 18
Investment Income (2)	37	30
Total Revenue	$ 47	$ 48
Uses:		
Operating Transfer to County State Aid Highway Fund	$ 37	$ 30
Total Changes in Fund Balance for the Year	$ 10	$ 18
Fund Balance, July 1	470	480
Fund Balance, June 30	$480	$498

The footnotes are an integral part of the financial statements.

Internal Improvement Land Fund Footnotes

1. Assets exclude 6,677.35 acres of land for which a current market value is not available.
2. All investment income is transferred to County State Aid Highway Fund.

STATE OF MINNESOTA
ENDOWMENT FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) Total 1978	Colleges and State Universities 1979	Other Agencies 1979	Total 1979
ASSETS				
Cash	$ 20	$ 11	$12	$ 23
Accrued Investment Income	6	3	11	14
Investments (1979 market value of $285)	272	227	44	271
Total Assets	$298	$241	$67	$308
LIABILITIES AND FUND BALANCE				
Fund Balance:				
Reserved for Encumbrances	$ 2	$	$	$
Unreserved:				
Restricted for Appropriation Carryover	296	241	67	308
Total Fund Balance	$298	$241	$67	$308

The footnotes are an integral part of the financial statements.

ENDOWMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) Total 1978	Colleges and State Universities 1979	Other Agencies 1979	Total 1979
Revenues:				
Bequests	$ 9	$	$15	$ 15
Investment Income	18	11	17	28
Total Revenue	$ 27	$ 11	$32	$ 43
Other Financing Sources:				
Cancellation of Prior Years Encumbrances	$	$	$ 1	$ 1
Operating Transfer from Gift Fund	45			
Total Other Financing Sources	$ 45	$	$ 1	$ 1
Total Sources	$ 72	$ 11	$33	$ 44
Expenditures and Encumbrances:				
Current:				
Materials and Supplies	$	$	$19	$ 19
Grants and Subsidies:				
Individuals	13	11		11
Other	17	2		2
Total Grants and Subsidies	$ 30	$ 13	$	$ 32
Total Uses	$ 30	$ 13	$19	$ 32
Net Change in Unreserved Fund Balance for the Year	$ 42	$ (2)	$14	$ 12
Change in Reserved Fund Balance:				
Cancellation of Prior Years Encumbrances	$	$	$(1)	$ (1)
Prior Years Encumbrances Expended During Year		(1)		(1)
Current Year Encumbrances	2			
Net Change in Reserved Fund Balance for the Year	$ 2	$ (1)	$(1)	$ (2)
Total Changes in Fund Balance for the Year	$ 44	$ (3)	$13	$ 10
Fund Balance, July 1	254	244	54	298
Fund Balance, June 30	$298	$241	$67	$308

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

PERMANENT SCHOOL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
ASSETS		
Cash	$	$ 1
Investments (1979 market value of $254,678)	261,442	267,965
Accrued Investment Income	3,352	3,453
Accounts Receivable	154	362
Total Assets (1)	$264,948	$271,781
LIABILITIES AND FUND BALANCE		
Liabilities:		
Payable to Endowment School Fund	$ 25	$ 145
Fund Balance:		
Principal	$292,794	$296,427
Unamortized Investment Losses	(27,871)	(24,791)
Total Fund Balance	$264,923	$271,636
Total Liabilities and Fund Balance	$264,948	$271,781

The footnotes are an integral part of the financial statements.

PERMANENT SCHOOL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
Revenues:		
Use of Property – Rentals	$ 2,002	$ 3,002
Investment Income	18,785	20,415
Total Revenues	$ 20,787	$ 23,417
Other Financing Sources:		
Transfers from Special Revenue Fund	$ 860	$ 631
Prior Years Adjustment	7	
Total Other Financing Services	$ 867	$ 631
Total Sources	$ 21,654	$ 24,048
Other Financing Uses:		
Transfers to Endowment School Fund	$ 15,414	$ 17,018
Amortization of Investment Losses	3,371	3,397
Total Uses	$ 18,785	$ 20,415
Net Change in Principal Fund Balance	$ 2,869	$ 3,633
Changes in Unamortized Investment Losses:		
Net Losses on Sale of Investments During the Year	$ (4,141)	$ (294)
Prior Years Adjustment		(23)
Amortization of Investment Losses	3,371	3,397
Net Change in Unamortized Investment Losses	$ (770)	$ 3,080
Total Changes in Fund Balance	$ 2,099	$ 6,713
Fund Balance, July 1	262,824	264,923
Fund Balance, June 30	$264,923	$271,636

The footnotes are an integral part of the financial statements.

Permanent School Fund Footnotes

1. Excludes 2,516,381.38 acres of land for which a current market value is not available.
2. Pursuant to Minnesota Statute 11.015, these losses must be returned to the Permanent School Fund from interest earnings over the average remaining life of the bonds sold or written off within a five-year period for stocks.

STATE OF MINNESOTA
MINNESOTA SUPPLEMENTAL RETIREMENT FUND
INCOME SHARE ACCOUNT
STATEMENT OF NET ASSETS
JUNE 30, 1978 and 1979
(000's Omitted)

	June 30, 1978	June 30, 1979
ASSETS		
Investments (at market value) (2):		
Common Stock	$29,523	$27,882
Fixed Income Securities	29,368	26,638
U.S. Government Short-Term Securities	577	1,265
Commercial Paper	1,030	2,038
Total Investments	$60,498	$57,823
Cash with State Treasurer	$ 1	$ 81
Accounts Receivable		
Accrued Interest	653	613
Accrued Dividends	157	163
Total Assets	$61,309	$58,680
LIABILITIES		
Participant Contribution Paid in Advance	$ 80	$ 80
Security Purchases Payable		
Total Liabilities	$ 80	$ 80
Net Assets June 30	$61,229	$58,600

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

MINNESOTA SUPPLEMENTAL RETIREMENT FUND
INCOME SHARE ACCOUNT
STATEMENT OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	Year Ended June 30,	
	1978	1979
Net Assets July 1	**$54,756**	**$61,229**
Income:		
Interest	$ 2,354	$ 2,337
Dividends	1,538	1,612
Short-Term Gain	129	229
Profit on Sale of Stock	79	322
Profit on Sale of Bonds	1	7
Total Income	**$ 4,101**	**$ 4,507**
Deductions from Income:		
Loss on Sale of Stock	$	$ 18
Loss on Sale of Bonds		676
Investment Expense		1
Total Deductions from Income	**$**	**$ 695**
Net Income	**$ 4,101**	**$ 3,812**
Net Increase in Participation	6,805	(8,311)
Net Increase in Unrealized Appreciation of Investments	(4,433)	1,870
Net Assets June 30	**$61,229**	**$58,600**

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA
MINNESOTA SUPPLEMENTAL RETIREMENT FUND
INCOME SHARE ACCOUNT
STATEMENT OF PARTICIPATION
JUNE 30, 1978 and 1979
(000's Omitted)

Participant	June 30, 1978 Number of Shares	June 30, 1978 Market Value	June 30, 1979 Number of Shares	June 30, 1979 Market Value
Albert Lea Firemen's Relief	115	$ 1,007	122	$ 1,184
Apple Valley Firemen's Relief			1	5
Bloomington Fire Department Relief	198	1,735	208	2,020
Bloomington Police Relief	131	1,153	39	382
Duluth Police Pension	38	332	38	366
Fairmont Police Benefit	8	70	8	78
Faribault Police Benefit	17	147	17	162
Hennepin County Supplemental Retirement	217	1,901	262	2,543
Minneapolis Fire Department	300	2,630		
Minneapolis Police Relief	1,092	9,583		
New Ulm Police Relief	1	13	1	14
Red Wing Police Benefit	4	37		
Rochester Fire Department Relief	266	2,338	292	2,831
Rochester Police Pension Fund	185	1,627	214	2,077
St. Cloud Fire Department Relief	32	283	32	312
St. Louis Park Fire Department Relief	49	429	49	473
St. Louis Park Police Relief	3	27	3	30
St. Paul Fire Department – General	11	94	11	104
St. Paul Fire Department – Special	834	7,327	912	8,845
St. Paul Police Relief	1,059	9,301	1,142	11,071
MSRS Deferred Compensation	527	4,630	631	6,114
MSRS Unclassified Employees Escrow	461	4,049	512	4,965
So. St. Paul Policemen's Relief	5	44	5	48
Teachers Supplemental Retirement	1,398	12,275	1,532	14,849
Winona Fire Department Relief	13	115	13	127
Winona Police Department	9	82		
Total Shares	6,973		6,044	
Total Participation Value		$61,229		$58,600

The footnotes are an integral part of the financial statements.

Minnesota Supplemental Retirement Fund Footnotes
Income Share Account

1. Summary of Significant Accounting Practices:

   The accompanying financial statements include the transactions of the Income Share Account recorded on an accrual basis except that contributions, short-term gains, and investment expenses are recorded on a cash basis.

2. The cost of Investments at June 30 was:

	(000's Omitted) 1978	1979
Common Stock	$29,592	$26,352
Fixed Income Securities	30,979	27,977
U.S. Government Short-Term Securities	563	1,256
Commercial Paper	1,030	2,034
Total	$62,164	$57,619

STATE OF MINNESOTA

MINNESOTA SUPPLEMENTAL RETIREMENT FUND
GROWTH SHARE ACCOUNT
STATEMENT OF NET ASSETS
JUNE 30, 1978 and 1979
(000's Omitted)

	June 30, 1978	June 30, 1979
ASSETS		
Investments (at market value) (2):		
Common Stock	$18,867	$22,532
Commercial Paper	624	1,277
U.S. Government Short-Term Securities	517	863
Total Investments	**$20,008**	**$24,672**
Cash with State Treasurer	$ 1	$ 21
Accrued Dividends	66	81
Total Assets	**$20,075**	**$24,774**
LIABILITIES		
Participant Contribution Paid in Advance	$ 20	$ 20
Securities Purchases Payable		
Total Liabilities	**$ 20**	**$ 20**
Net Assets June 30	**$20,055**	**$24,754**

The footnotes are an integral part of the financial statements.

MINNESOTA SUPPLEMENTAL RETIREMENT FUND
GROWTH SHARE ACCOUNT
STATEMENT OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	Years Ended June 30, 1978	Years Ended June 30, 1979
Net Assets July 1	**$17,002**	**$20,055**
Income:		
Dividends	$ 688	$ 930
Short-Term Gain	44	123
Profit on Sale of Stock		
Total Income	**$ 732**	**$ 1,053**
Deductions from Income:		
Loss on Sale of Stock	$ 61	$ 19
Investment Expense		
Total Deductions from Income	**$ 61**	**$ 19**
Net Income	**$ 671**	**$ 1,034**
Net Increase in Participation	2,468	1,693
Net Increase in Unrealized Appreciation of Investments	(86)	1,972
Net Assets June 30	**$20,055**	**$24,754**

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

MINNESOTA SUPPLEMENTAL RETIREMENT FUND
GROWTH SHARE ACCOUNT
STATEMENT OF PARTICIPATION
JUNE 30, 1978 and 1979
(000's Omitted)

Participant	June 30, 1978 Number of Shares	June 30, 1978 Market Value	June 30, 1979 Number of Shares	June 30, 1979 Market Value
Apple Valley Fireman's Relief		$	1	$ 5
Bloomington Fire Department Relief	22	120	22	137
MSRS Deferred Compensation	566	3,114	698	4,377
Hennepin County Supplemental Retirement	528	2,902	583	3,662
St. Paul Fire Department – General	3	15	3	18
St. Paul Fire Department – Special	261	1,436	292	1,830
St. Paul Police Relief	308	1,694	239	1,499
MSRS Unclassified Employee Escrow	311	1,711	338	2,123
Teachers Supplemental Retirement	1,649	9,063	1,770	11,103
Total Shares	3,648		3,946	
Total Participation		$20,055		$24,754

The footnotes are an integral part of the financial statements.

Minnesota Supplemental Retirement Fund Footnotes
Growth Share Account

1. Summary of Significant Accounting Practices:

   The accompanying financial statements include the transactions of the Growth Share Account recorded on an accrual basis except that contributions, short-term gains, and investment expenses are recorded on a cash basis.

2. The book value of investments at June 30 was:

	(000's Omitted) 1978	1979
Common Stock	$20,506	$22,195
Commercial Paper	624	1,276
U.S. Government Short-Term Securities	503	854
Total	$21,633	$24,325

STATE OF MINNESOTA

MINNESOTA SUPPLEMENTAL RETIREMENT FUND
FIXED RETURN ACCOUNT
STATEMENT OF NET ASSETS
JUNE 30, 1978 and 1979
(000's Omitted)

	June 30, 1978	June 30, 1979
ASSETS		
Investments (at Amortized Cost) (2):		
Fixed Income Securities	$13,229	$15,903
U.S. Government Short-Term Securities		476
Commercial Paper	732	704
Total Investments	$13,961	$17,083
Cash with State Treasurer	$ 1	$ 101
Accrued Interest	307	363
Net Assets June 30	$14,269	$17,547

MINNESOTA SUPPLEMENTAL RETIREMENT FUND
FIXED RETURN ACCOUNT
STATEMENT OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	Years Ended June 30, 1978	Years Ended June 30, 1979
Net Assets July 1	$ 8,799	$14,269
Income:		
Interest	$ 898	$ 1,212
Short-Term Gain	29	74
Profit on Sale of Bonds	14	24
Total Income	$ 941	$ 1,310
Deductions from Income:		
Investment Expense	$	$ 1
Loss on Sale of Bonds		130
Total Deductions from Income	$	$ 131
Net Income	$ 941	$ 1,179
Net Increase in Participation (3)	5,432	3,278
Distribution of Interest	(903)	(1,179)
Net Assets June 30	$14,269	$17,547

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

MINNESOTA SUPPLEMENTAL RETIREMENT FUND
FIXED RETURN ACCOUNT
PARTICIPATION AND UNDISTRIBUTED EARNINGS
JUNE 30, 1978 and 1979
(000's Omitted)

Participant	June 30, 1978	1979
Albert Lea Firemen's Relief	$	$ 57
Apple Valley Firemen's Relief		18
Bloomington Police Relief	559	604
Chanhassen Fire Relief	10	11
Crookston Police Relief	43	88
MSRS Deferred Compensation	5,018	8,920
Faribault Police Benefit	247	295
Hennepin County Supplemental Retirement	156	304
Minneapolis Police Relief	1,928	
Moorhead Police Relief	263	
Rochester Police Pension Fund (4)	801	913
St. Cloud Police Relief	367	
St. Paul Fire Department – Special	3,558	4,778
South St. Paul Police Relief	48	52
Thief River Falls Police Relief (4)	14	15
MSRS Unclassified Employees Escrow	1,107	1,488
West St. Paul Police Relief	102	
Total Participation	$14,221	$17,543
Undistributed Earnings	48	4
Total Participation and Undistributed Earnings	$14,269	$17,547

The footnotes are an integral part of the financial statements.

Minnesota Supplemental Retirement Fund Footnotes
Fixed Return Account

1. Summary of Significant Accounting Practices:

   The accompanying financial statements include the transactions of the Fixed Return Account recorded on an accrual basis except that contributions, short-term gains, and investment expenses are recorded on a cash basis.

2. The approximate market value of Investments at June 30 was:

	(000's Omitted) 1978	1979
Fixed Income Securities	$12,619	$15,150
U.S. Government Short-Term Securities		476
Commercial Paper	732	704
Total	$13,351	$16,330

3. Withdrawals from the Fixed Return Account are paid out at original contributions plus reinvested earnings and accrued interest to the date of withdrawal.

4. As of October 15, 1979, these participants had withdrawn from the account.

STATE OF MINNESOTA

MINNESOTA VARIABLE ANNUITY FUND
STATEMENT OF NET ASSETS
JUNE 30, 1978 and 1979
(000's Omitted)

	June 30, 1978	June 30, 1979
ASSETS		
Investments (at cost) (2):		
Common Stock	$38,259	$41,006
Fixed Income Securities	14,056	14,315
U.S. Government Short-Term Securities		1,997
Commercial Paper	3,725	3,000
Total Investments	**$56,040**	**$60,318**
Cash with State Treasurer	$ 1	$ 1
Accrued Interest	298	301
Accrued Dividends	150	182
Admitted Value Increment (3)	2,721	(786)
Net Assets June 30	**$59,210**	**$60,016**

The footnotes are an integral part of the financial statements.

MINNESOTA VARIABLE ANNUITY FUND
STATEMENT OF CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	Years Ended June 30, 1978	Years Ended June 30, 1979
Net Assets July 1	**$43,823**	**$59,210**
Income:		
Interest	$ 1,072	$ 1,221
Dividends	1,374	1,818
Short-Term Gain	115	314
Profit on Sale of Stock	269	378
Profit on Sale of Bonds	2	6
Total Income	**$ 2,832**	**$ 3,737**
Deductions from Income:		
Loss on Sale of Stock	$	$ 21
Investment Expense		1
Total Deductions from Income	**$**	**$ 22**
Net Income	**$ 2,832**	**$ 3,715**
Net Increase in Participation (4)	8,904	598
Net Change in Admitted Value	3,651	(3,507)
Net Assets June 30	**$59,210**	**$60,016**

The footnotes are an integral part of the financial statements.

Minnesota Variable Annuity Fund Footnotes
(000's Omitted)

1. Summary of Significant Accounting Practices:

   The accompanying financial statements include the transactions of the Minnesota Variable Annuity Fund recorded on an accrual basis except that contributions, short-term gains, and investment expenses are recorded on a cash basis. Also, unrealized security appreciation is recognized by the method more fully explained in note 3.

2. The approximate market value of Investments at June 30 was:

	1978	1979
Common Stock	$36,241	$42,107
Fixed Income Securities	13,270	13,282
U.S. Government Short-Term Securities		2,009
Commercial Paper	3,738	3,001
Total	**$53,249**	**$60,399**

3. The admitted value increment is the amount by which the recognized value of investments is above or below the book value of investments. The admitted value is based on an average ratio of book value to market value of the securities calculated over a 2 year period. This method of valuation is prescribed by Minnesota Statute 11.26 Subdivision 4.

4. Laws of Minnesota for 1978, Chapter 781, stated in part: "Effective July 1, 1978 no future employee and employer contributions shall be credited to any account in the variable annuity division unless the member elects continuous participation." Very few members of the Teachers' Retirement Fund elected to continue in the variable annuity division, which accounts for the significant decrease in the level of contributions for participation in the variable annuity fund. Previous contributions for all former and current participants in the variable annuity fund will remain in that fund until the participant retires or withdraws in accordance with the Teachers Retirement Act (M.S. 354).

STATE OF MINNESOTA

MINNESOTA ADJUSTABLE FIXED BENEFIT FUND
STATEMENT OF NET ASSETS
JUNE 30, 1978 and 1979
(000's Omitted)

	June 30, 1978	June 30, 1979
ASSETS		
Investments (at cost) (2):		
Common Stock	$384,477	$ 420,415
Fixed Income Securities	393,455	447,586
Convertible Debentures	4,309	1,150
U.S. Government Short-Term Securities	4,862	37,726
Commercial Paper	44,742	60,923
Total Investments	$831,845	$ 967,800
Cash with State Treasurer	$ 2	$ 1
Accounts Receivable	39	385
Accrued Interest	7,872	8,805
Accrued Dividends	1,705	2,217
Accrued Short-Term Gain	75	271
Unrealized Market Appreciation (Depreciation) (3)	4,838	(8,492)
Deferred Yield Adjustment (4)	6,671	6,087
Due from/(To) Other Funds – (Mortality (Gain) or Loss) (5)	467	
Annuity Stabilization Reserve (6), (7)	48,601	51,373
Total Assets	$902,115	$1,028,447
LIABILITIES		
Security Purchases Payable	$ 3,360	$ 2,195
Participant Contributions Paid in Advance	4,300	
Actuarial Deficiency (7)	48,601	51,373
Total Liabilities	$ 56,261	$ 53,568
Net Assets	$845,854	$ 974,879

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

MINNESOTA ADJUSTABLE FIXED BENEFIT FUND
STATEMENT OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)

	Years Ended June 30,	
	1978	1979
Net Assets July 1	$748,046	$845,854
Income:		
Interest	$ 29,403	$ 35,742
Dividends	17,307	22,253
Short-Term Gains	1,738	3,153
Discount Accumulation	536	495
Total Income	$ 48,984	$ 61,643
Deductions from Income:		
Investment Expense	$ 5	$ 6
Premium Amortization	5	8
Amortization of Deferred Yield Adjustment (4)	754	768
Appropriation for Lump Sum Benefit (8)	(1,869)	
Total Deductions from Income	$ (1,105)	$ 782
Net Income	$ 50,089	$ 60,861
Net Increase in Participation	57,438	76,034
Changes in Unrealized Market Appreciation (3)	(4,186)	(7,828)
Appropriated Retained Earnings (8)	(6,000)	
Mortality Gain or Loss (5)	467	
Interest Paid on Refunded Contributions		(42)
Net Assets June 30	$845,854	$974,879

The footnotes are an integral part of the financial statements.

MINNESOTA ADJUSTABLE FIXED BENEFIT FUND
STATEMENT OF PARTICIPATION AND UNDISTRIBUTED EARNINGS
JUNE 30, 1978 and 1979
(000's Omitted)

	June 30,	
Participant	1978	1979
Teachers Retirement Fund (9)	$314,776	$358,195
Public Employees Retirement Fund	213,335	243,932
State Employees Retirement Fund (10)	141,687	169,861
Minneapolis Municipal Employees Retirement	141,847	160,414
Public Employees Police and Fire Fund	19,092	25,217
Highway Patrolmen's Retirement Fund	10,884	12,067
Legislators and Survivors Retirement Fund	1,997	1,966
Judges Retirement Fund	2,236	3,227
Total Participation and Undistributed Earnings	$845,854	$974,879

The footnotes are an integral part of the financial statements.

Minnesota Adjustable Fixed Benefit Fund Footnotes
(000's Omitted)

1. Summary of Significant Accounting Practices:

   The accompanying financial statements include the transactions of the Minnesota Adjustable Fixed Benefit Fund recorded on an accrual basis with the following exceptions; a) Contributions, withdrawals, short-term gains and investment expenses are recorded on a cash basis. b) A limited amount of unrealized gain or loss on equity investments is used to determine income by a method more fully described in Note 3. c) Losses from the sale of fixed income investments are amortized over the average remaining life of the securities sold by a method more full described in Note 4.

2. The approximate market value of Investments as of June 30 was:

	1978	1979
Common Stock	$377,872	$435,593
Fixed Income Securities	369,996	418,606
Convertible Debentures	3,881	840
U.S. Government Short-Term Securities	4,862	37,879
Commercial Paper	44,817	61,078
Total	**$801,428**	**$953,996**

3. The unrealized market appreciation (depreciation) is the amount by which the admitted value of equity securities exceeds the book value of such securities. The admitted value is determined by the average ratio of book value to market value of the securities, valued bimonthly over a two year period. This method is more fully described in Minnesota Statutes, 1978, Section 11.25, Subdivisions 4 to 8 inclusive.

4. The deferred yield adjustment account, established pursuant to Minnesota Statutes, 1978, Section 11.25, Subdivision 5, is the unamortized loss on the sale or disposition of debt securities. The account is increased by the loss on the sale of debt securities and decreases by the gain on sale of such securities. At the end of each year, a portion of the balance is offset against investment income for the year.

5. Mortality gains and losses are calculated after year end by each participants actuary. Transfers to or from the MAFB fund for June 30, 1979 mortality will be made late in calendar year 1979. The amount of mortality gain or loss applicable to June 30, 1979 is not reasonably estimatable and therefore no amount is included in these statements. It is not anticipated that the sum calculated for June 30, 1979 would have a material effect on these statements.

6. The annuity stabilization reserve is the difference between the actuarially determined reserves required to support benefits in force and the assets of the fund. This calculation is prescribed by Minnesota Statutes, 1978, Section 11.25, Subdivision 13.

7. The annuity stabilization reserve and the actuarial deficiency have been estimated for June 30, 1979 in accordance with Minnesota Statutes 1978, Section 11.25, Subdivision 12 (a) (5).

8. Appropriated retained earnings was the estimated amount needed for additional payments to persons receiving annuities on benefits from the Minnesota Adjustable Fixed Benefit Fund. The payments were appropriated from the Minnesota Adjustable Fixed Benefit Fund pursuant to Laws 1977, Chapter 388, Section 4. Actual payments were $4,131. The balance, $1,869, was distributed to participants in the fund based on participation ratios in fiscal year 1978.

9. Participation for June 30, 1979 includes $16,000 transferred on June 30, 1979 in anticipation of a change in life expectancy estimates by the actuary for Teachers' Retirement Association.

10. Participation of the State Employees Retirement Fund was increased by $14,240 on July 1, 1978 through the merger and transfer of assets, of the Metropolitan Transit Commission – transit operating division retirement fund into the State Employees' Fund.

MINNESOTA RETIREMENT SYSTEMS

In 1955, the Minnesota Legislature established the Legislative Commission on Pensions and Retirement. It is comprised of five members of the Senate and five members of the House. The commission performs the dual functions of analyzing proposed public pension legislation and studying the operation of the state's public pension funds. The commission has been primarily concerned with placing the various Minnesota public pension plans on a sound actuarial basis so that promised benefits will become an actuality and the fiscal burden of paying for public pensions will be evenly distributed on generations of taxpayers.

Specifically, Minnesota law directs the commission to:

- Make a continuing study and investigation of public retirement plans in Minnesota;
- Make recommendations within the scope of this study to establish and maintain sound pension policy as to all public pension funds;
- File a report periodically with the Legislature; and
- Provide an analysis of each item of proposed pension legislation, including amendments.

The initial concentration of the commission was on studying the major statewide retirement plans, developing uniform actuarial reporting standards and maintaining strict control of cost items. The uniform actuarial reporting standards were codified and can be found in Minnesota Statutes, Chapter 356.

All actuarial valuations are required to be based upon an interest rate assumption of 5 percent and a salary scale assumption of 3.5 percent. Reporting standards require that actuarial valuations be performed in accordance with the entry age level normal cost method.

In the last decade, the focus of attention of the commission has widened to include a greater scrutiny of the many local retirement plans and funds, a greater emphasis on providing adequate benefits at retirement, the development of increased interplan portability of pension credits, and a movement to simplify the pension system by emphasizing greater uniformity of benefits and other plan provisions. The simplification of the pension system through increased uniformity is intended to result in a more understandable and manageable overall system. In some instances, consolidation of pension plans and funds has been viewed by the commission as the best way to achieve this uniformity and simplicity.

Minnesota law requires that actuarial valuations of those plans to which the state directly contributes show the annual level dollar cost of amortizing the (1979) unfunded actuarial liability by 2009. If growth occurs in the unfunded liability after 1979 and that growth is due to benefit increases, changes in valuation assumptions, or changes in valuation methodology, the valuation reports must show the level dollar cost of amortizing the additional unfunded liability over thirty years from the end of the plan year.

There are more than 600 other public pension funds or plans in Minnesota. The largest is the Public Employees Retirement Association (PERA) which covers municipal, county and non-professional school district employees, excepting Minneapolis. Other plans cover employees of the University of Minnesota, City of Minneapolis and numerous local police and fire associations. Laws 1979, Chapter 303 provides that the state will begin making direct contributions of part of the total employer contributions to the Minneapolis Municipal Employees Retirement Fund (MMER) and will be responsible for amortizing a sizeable portion of the MMER unfunded accrued liability. The new law requires that the state contribute whatever is required to meet the actuarially determined amortization requirements of the fund which the employee and city contribution (now set by statute as a percentage rate) do not meet. The amount of the state's contribution to MMER has been estimated to be $1.1 million in F.Y. 1980 and $4.5 million in F.Y. 1981. Other than MMER the state is not required to make direct contributions to these funds.

Separate pension plans are maintained for constitutional officers, Legislators and Supreme and District Court Judges. Employee contributions are credited to the general fund as unrestricted revenue. Annual appropriations are made for the annuities and survivor benefits payable for that year for the constitutional officers and Supreme and District Court Judges retirement plans. Annual appropriations are made for the legislative retirement plan for the amount of the actuarial amount of the full annuity due at the time a legislator retires. These funds are transferred to the Minnesota Adjustable Fixed Benefit Fund where they are invested until needed for payment of annuities. The unfunded liability for these pension plans is not reflected on the general fund balance sheet because it has not been calculated.

RETIREMENT FUNDS

The following table summarizes the status of each of the major statewide retirement funds to which the state contributes. Other smaller statewide funds are the Judges Retirement Plan (208 members), Elective State Officers Plan (6 members) and Legislators Plan (201 members).

	Minnesota State Retirement System (MSRS)	Teachers Retirement Association (TRA)		Highway Patrolmen's Retirement Fund
Statutory Reference	Chapter 352	Chapter 354		Chapter 352B
Active Members	43,767	62,683		751
Annuitants	8,639	9,143		287
Statutory Contributions				
State	Coord.[2] 6%	Coord. 7%, Basic[3] 11%**		Basic 21%
Employee	4%	4.5%	8.5%	7%
Unfunded Accrued Liability (millions)[1]				
June 30, 1975	$183.0	$545.1	$545.1	$20.4
June 30, 1976	177.4	598.1	598.1	21.3
June 30, 1977	163.6	640.6	640.6	21.8
June 30, 1978	186.8	792.4	792.4	22.4
Funding Ratio				
June 30, 1975	59.2%	51.8%	51.8%	52.9%
June 30, 1976	62.3	53.8	53.8	54.9
June 30, 1977	68.6	56.2	56.2	59.6
June 30, 1978	68.6	54.3	54.3	62.5

There are three first class city teachers retirement pension funds to which the state directly contributes:

	Minneapolis Teachers Retirement Fund Association		St. Paul Teachers Retirement Fund Association		Duluth Teachers Retirement Fund Association
Statutory Reference	Chapter 354A		Chapter 354A		Chapter 354A
Active Members	3,361		2,792		1,182
Annuitants	2,165		946		494
Statutory Contributions					
State	Basic[4] 11.79%**, Coord. 5.66%		Basic[4] 11.2294%**, Coord. 5.09%		Coord. 5.6148%**
Employee	Basic[4] 8.50%	4.50%	8.00%	4.50%	4.00%
Unfunded Accrued Liability (millions)[1]					
December 31, 1975	$ 76.1		$ 75.1		$5.9
December 31, 1976	103.9		81.5		6.4
December 31, 1977	161.4*(footnote 5)		91.5		6.8
December 31, 1978	175.1		108.2		7.7
Funding Ratio					
December 31, 1975	57.0%		38.9%		81.0%
December 31, 1976	50.9		40.1		80.8
December 31, 1977	42.4*		40.2		81.3
December 31, 1978	42.4		39.3		79.7

*Mistake in 1977 valuation, clarified in 1978 valuation.

**State contribution rate effective July 1, 1979 was increased pursuant to Laws 1979, Chapter 293 to following level:

TRA	Coord.	7.55%	DTRFA		St. PTRFA	Coord.	4.50%
	Basic	11.55%	MTRFA	Coord. 4.5%		Basic	12.63%
				Basic 13.35%			

[1]Recent actuarial reports for the Minnesota State Retirement System, the Highway Patrolmen's Retirement Fund and Duluth Teachers Retirement Fund Association state that the contributions to the fund required by law from employees and the state are adequate to provide the benefits that will be paid from the fund. The required contributions are intended to make these funds fully funded by 2009. For the Teachers Retirement Association of the state, the Teachers Retirement Fund Associations of Minneapolis and St. Paul, actuarial reports state that the support rate now provided by statute is inadequate to amortize unfunded accured liabilities by 2009 and should be increased.

[2]"Coord." refers to the coordinated program which includes social security coverage in addition to the pension fund coverage.

[3]"Basic" refers to the basic program which does not include social security coverage in addition to the pension plan coverage.

[4]The Minneapolis and St. Paul Teachers Retirement Fund Association "Basic" programs will no longer be offered to new employees after June 30, 1978, and all new employees after that date shall be covered by the respective "coordinated" program.

[5]A different valuation method for ancillary (non-retirement annuity) benefits was used for the Minneapolis Teachers Retirement Fund for the year ending December 31, 1977. Under the former valuation method the 1977 unfunded accrued liability is $127.5 million, and a FTE funding ratio is 47.8%.

STATE OF MINNESOTA
STATE EMPLOYEES RETIREMENT FUND
BALANCE SHEET
FISCAL YEAR ENDED JUNE 30, 1978 and 1979
(000's Omitted)
(Unaudited)

	1978	1979
ASSETS		
Cash in State Treasury	$ (24)	$ 25
Cash in Bank (Imprest Cash)		
Short Term Investments (at cost)	10,420	24,296
Accounts Receivable:		
a) Accrued Employee Contributions	597	620
b) Accrued Employer Contributions	922	991
c) Employee Buybacks	197	201
d) Due from Other Plans	63	56
e) Other	3	2
Accrued Interest on Investments	2,403	3,011
Dividends Declared and Payable, Not Yet Received	484	677
Investment in Dept. Securities at Amortized Cost	100,875	123,425
Investment in G.N.M.A.'s at Amortized Cost	20,482	19,116
Investment in Equities at Cost (2)	117,991	136,480
Equipment at Depreciated Cost	14	27
Deferred Yield Adjustment Account	4,186	3,949
Participation in the MAFB Fund	141,687	169,861
Total Assets (6)	$400,300	$482,737
LIABILITIES AND RESERVES		
Liabilities:		
Accounts Payable:		
a) Security Purchases	$ 345	$
b) Annuities	1	1
c) Annuitant Deposits	12	6
d) Accrued Expenses	91	64
e) Overpaid Dividends	2	2
f) Transfer to Unclassified Retirement	181	240
g) Due MAFB Fund	491	
Suspense Item: Unredeemed 6 Year Old Warrants	7	8
Total Liabilities	$ 1,130	$ 321
Reserves:		
Minnesota Adjustable Fixed Benefit Fund:		
Actuarial Reserve Requirement (1)	$151,273	$179,447
Annuity Stabilization Reserve	(9,586)	(9,586)
Reserve for Benefits	$141,687	$169,861
Survivor Benefit Reserve	$ 246	$ 214
Employee Contribution Reserve	100,279	121,816
State Contribution Reserve	156,958	190,525
Total Reserves	$399,170	$482,416
Total Liabilities and Reserves	$400,300	$482,737

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

STATE EMPLOYEES RETIREMENT FUND
STATEMENT OF REVENUE AND EXPENDITURES
FISCAL YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)
(Unaudited)

	1978	1979
Revenues:		
From Employees:		
Employee Contributions	$20,648	$ 23,279
Employee Accrued Contribution Receivable	597	620
Employee Contributions, Accounts Receivable	64	56
From Employers:		
Employer Contributions	21,110	23,770
Employer Additional Contributions	10,603	13,322
Employer Accrued Contributions Receivable	922	991
From Investments:		
Interest on Short Term, Mortgages and Debt Securities	8,849	12,043
Dividends on Corporate Stock	5,115	6,924
Recognized Unrealized Appreciation in Stock	(289)	
Gain on Sale of Stock (Exchibit B)	537	636
Interest on Back Payments by Employees	177	156
From MAFB Fund Participation:		
Participation in MAFB Fund Income	7,924	9,577
Other Revenues:		
Miscellaneous	1	3
Transfer of Assets from MTC/TOD (1)		21,243
Total Revenues	$76,258	$112,620
Expenditures:		
Benefits:		
Service Retirement Annuities (3), (4)	$15,908	$ 19,115
Disability Retirement Annuities	747	1,201
Survivor Benefits (spouses)	28	29
Lump Sum Annuity Payments (spouses)	5	
Refundments (Employee Contributions):		
Left Service	3,895	5,334
Employee Deaths	272	281
Annuitant Deposits	32	35
Erroneous Deductions	39	155
Interest on Refunds	170	199
Unclassified Employee Retirement:		
Transfer of Employee Contributions	859	785
Transfer of Employer Contributions	1,209	1,166
Transfer of Interest	27	36
Operating Expenses: (Exhibit A)		
Total Operating Expenses	911	1,041
Total Expenditures	$24,102	$ 29,377
Excess of Revenues Over Expenditures	$52,156	$ 83,243
Prior Years Adjustment (5)		3
Net Distribution to Reserves	$52,156	$ 83,246

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

STATE EMPLOYEES RETIREMENT FUND
SCHEDULE OF OPERATING EXPENSES
FISCAL YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)
(Unaudited)

	1978	1979
Salaries	$ 497	$ 525
Employer MSRS Contributions	31	31
Employer FICA Contributions	27	29
Employer Insurance Contributions	27	30
Unemployment Compensation Benefits	1	
Workers Compensation Benefits		
Rents and Leases	32	31
Repairs	1	1
Printing, Binding, and Duplicating	32	18
Medical Expense – Disability Exams	13	23
Actuarial Service	25	70
Other Purchased Services	16	21
Tabulating Services	327	454
Postage, Inserting and Freight	25	28
Travel, Dept. Head, and Board Member Expense	6	9
Telephone	5	5
Utility Service	4	4
Subscriptions and Memberships	1	1
Office Supplies	10	5
Depreciation on Equipment	2	3
Investment Expense	2	3
Special Asst. Atty. General	16	7
Tuition		
	$1,100	$1,298
Expense Attributable to Other Plans:		
Highway Patrolmen's Fund	$ 29	$ 30
Judges Retirement Fund	11	13
Supreme and District Court Judges	1	1
Legislators Retirement	8	10
Elected Officials	1	
Survivors – Supr. & Dist. Court Judges	1	1
Survivors – Probate Court Judges	1	1
Deferred Compensation	99	167
Unclassified Employees	38	34
Total Distribution to Other Plans	$ 189	$ 257
Balance Attributable to the SER Fund	$ 911	$1,041

State Employees Retirement Fund Footnotes

1. **Minnesota State Retirement System (MSRS)** – MSRS is a defined benefit, contributory retirement plan covering most state employees including correctional institution personnel. Benefits are determined by a formula using the high five-year average salary and years of service of each employee. Contributions to the MSRS are set in statute and are based on yearly actuarial valuations and actuarial experience studies done every four years. The last completed experience study was as of June 30, 1975. The contributions provide funding for both normal and supplemental liability costs. The entry age normal method, a projected benefit cost method, is used to value the plan with contributions being made as a level percentage of covered employee salaries.

   For the year ended June 30, 1979, the state contributed $38 million to the plan and state employees contributed $24 million. These contributions included funding for the amortization of the supplemental liability by 2009.

   The actuarial valuation concluded as of June 30, 1978, indicated that the present value of earned benefits was $465.8 million which exceeded applicable fund assets by $57.1 million. The unfunded supplemental liability of the retirement system, based on the present value of benefits for past and future service, was estimated to be $186.8 million at June 30, 1978.

Financing – To fund by 2009 (level percentage of covered employee salaries)

	General State Employees	Correctional Employees
Normal Cost	7.2%	11.16%
Amortization	2.34%	5.51%
Total	**9.54%**	**16.67%**

Financing – Actual Contributions (level percentage of covered employee salaries)

	General State Employees	Correctional Employees
Employee	4.00%	6.00%
Employer	6.00%	14.00%
Total	**10.00%**	**20.00%**

   Metropolitan Transit Commission, Transit Operating Division (MTC/TOD) employees retirement coverage was transferred to the State Employee Retirement Plan effective July 1, 1978. Assets of the MTC/TOD sufficient to fully fund the annuities in force on June 30, 1978, were transferred to the Minnesota Adjustable Fixed Benefit Fund and the balance of assets were transferred to the State Employees Retirement Fund. The MTC/TOD is required to pay three and eight-tenths percent of payroll for a period of seven years to amortize the extra deficit caused by the transfer of coverage. This is in addition to the six percent employer payroll contribution. Additional assets of $7.2 million is needed to equal MSRS funding at June 30, 1978.

   Actuarial valuation indicated that the unfunded supplemental liability for MTC/TOD, based on the present value of benefits for past and future services was estimated to be $20.3 million at June 30, 1978.

2. Market value as of June 30, 1978 was $116,210,538 and as of June 30, 1979 was $142,911,068.
3. Additional benefits paid from general fund F.Y. '78 $86,618 and F.Y. '79 $77,354.
4. Lump sum bonus payment of $992,612 funded by F.Y. '77 MAFB fund.
5. Adjustment to MAFB fund income distributed for F.Y. '78.
6. See introductory table for unfunded liability.

STATE OF MINNESOTA
HIGHWAY PATROLMEN'S FUND (1)
BALANCE SHEET
FOR FISCAL YEARS ENDING JUNE 30, 1978 and 1979
(000's Omitted)
(Unaudited)

	1978	1979
ASSETS		
Cash	$ 13	$ 4
Short Term Investments	1,237	2,308
Accounts Receivable:		
a) Accrued Employee Contributions	36	32
b) Accrued Employer Contributions	100	96
c) Other		
Accrued Interest in Investments	294	319
Dividends Declared and Payable, Not Yet Received	43	62
Investment in Debt Securities at Amortized Cost	10,600	12,516
Investments in Government National Mortgages at Amortized Cost	1,298	1,220
Investments in Equities at Cost (2)	11,859	13,002
Deferred Yield Adjustment Account	148	144
Participation in MAFB Fund	10,884	12,067
Total Assets	**$36,512**	**$41,770**
LIABILITIES AND RESERVES		
Liabilities:		
Accounts Payable:		
a) Accrued Expenses	$	$ 1
b) Due SER Fund	29	30
c) Due MAFB Fund	135	
d) Security Purchases		26
Suspense Item: Unredeemed 6 Year Old Warrants		1
Total Liabilities	**$ 164**	**$ 58**
Reserves:		
Minnesota Adjustable Fixed Benefit Fund:		
Actuarial Reserve Requirement	$11,801	$12,985
Annuity Stabilization Reserve	(917)	(918)
Reserve for Benefits	**$10,884**	**$12,067**
Disability Reserve	$ 604	$ 771
Survivor Benefit Reserve – Children	213	169
Employee Contribution Reserve	7,747	8,499
State Contribution Reserve	16,900	20,206
Total Reserves	**$36,348**	**$41,712**
Total Liabilities and Reserves	**$36,512**	**$41,770**

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

HIGHWAY PATROLMEN'S FUND
STATEMENT OF REVENUES AND EXPENDITURES
FOR FISCAL YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)
(Unaudited)

	1978	1979
Revenues:		
From Members:		
Member Contributions	$1,167	$1,035
Member Accrued Contributions	36	32
From Employers:		
Employer Contributions	1,747	1,755
Employer Additional Contributions	1,459	1,322
Employer Accrued Contributions	100	96
From Investments:		
Interest on Debt Securities, Mortgages and Short Term	981	1,202
Dividends on Corporate Stock	518	661
Recognized Unrealized Appreciation in Stock	(54)	
Gain on Sale of Stock	8	45
Interest on Back Payments by Employees		1
From MAFB Fund Participation:		
Participation in MAFBF Income	594	706
Total Revenues	$6,556	$6,855
Expenditures:		
Benefits:		
Service Retirement Annuities (3)	$1,122	$1,326
Disability Retirement Benefits	61	64
Survivor Benefits (children)	33	38
Lump Sum Annuity Payments (disability)		
Refunds:		
Left Service	38	23
Erroneous Deductions	1	3
Operating Expenses:		
Total Operating Expenses	34	37
Total Expenditures	$1,289	$1,491
Excess of Revenues Over Expenditures C.Y.	$5,267	$5,364
Prior Years Adjustments		
Net Distribution to Reserves	$5,267	$5,364

The footnotes are an integral part of the financial statements.

Highway Patrolmen's Retirement Fund (HPRF) Footnotes

1. **Highway Patrolmen's Retirement Fund (HPRF)** – HPRF is a defined benefit, contributory retirement plan covering Minnesota state troopers, conservation officers and crime bureau personnel. Benefits are determined by a formula using the high-five average salary and years of service of each employee. Contributions to HPRF are set in statute and are based on yearly actuarial valuations and actuarial experience studies done every four years. The contributions provide funding for both normal and supplemental liability costs. The entry age normal cost method is used to value the plan with contributions being made as a level percentage of covered employee salaries.

   For the year ended June 30, 1979, the state contributed $3.2 million to the plan and state employees contributed $1.1 million.

2. Market value as of June 30, 1978 was $11,547,143 and as of June 30, 1979 was $13,527,609.

3. Additional lump sum bonus payments funded by fiscal year 1977 MAFB Fund income in fiscal year 1978 amounted to $42,125.

STATE OF MINNESOTA
UNCLASSIFIED EMPLOYEES RETIREMENT PLAN
BALANCE SHEET
FISCAL YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)
(Unaudited)

	1978	1979
ASSETS		
Deposits in State Treasury	$ 3	$ 3
Accrued Member Contributions	93	99
Accrued Employer Contributions	92	93
Accrued Interest Receivable from SER Fund	1	3
Participation in Minnesota Supplemental Retirement Fund (1):		
Income Account Shares	3,575	4,076
Growth Account Shares	1,648	1,807
Fixed Return Account	1,097	1,480
Accounts Receivable – Fixed Return Earnings	72	101
Total Assets	**$6,581**	**$7,662**
LIABILITIES AND RESERVES		
Accounts Payable:		
Administrative Expense	$ 5	$ 4
Withdrawals and Refunds	67	32
Fixed Return Interest on Withdrawals		
Member Investments in Minnesota Supplemental Retirement Fund	186	259
Total Liabilities	**$ 258**	**$ 295**
Reserves:		
Income Account Shares	$3,575	$4,077
Growth Account Shares	1,648	1,807
Fixed Return Account	1,097	1,480
Uninvested Balance	3	3
Total Reserves	**$6,323**	**$7,367**
Total Liabilities and Reserves	**$6,581**	**$7,662**

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

UNCLASSIFIED EMPLOYEES RETIREMENT PLAN
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FISCAL YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)
(Unaudited)

	1978	1979
Receipts:		
Employee Contributions	$ 872	$ 812
Employer Contributions	1,229	1,160
Interest on Contributions	28	36
Fixed Return Earnings	72	101
Total Receipts	**$2,201**	**$2,109**
Disbursements:		
Market Value of Shares Withdrawn and Paid Out	$ 539	$ 955
Uninvested Balances Paid Out	1	1
Earnings Paid on Fixed Return Withdrawals	2	4
Transfers to SER Fund	33	71
Administrative Expense	38	34
Total Disbursements	**$ 613**	**$1,065**
Net Distributions to Reserves	**$1,588**	**$1,044**

Unclassified Employees Retirement Plan Footnotes

1. Certain employees in the unclassified state service who are eligible for coverage under the General Employees Retirement Plan participate in the Unclassified Employees Retirement Plan. Both the employee and employer contributions are used to purchase shares in the Supplemental Retirement Fund. They may elect coverage under the General Plan if they so desire. The following provides information on the activity within this plan during the fiscal year ending June 30, 1979.

2. Market Value of Shares Held:

	Income	Growth	Fixed Return
Number of shares at June 30, 1978	470,663	317,677	$1,096,431.88
Share values	X 8.78	X 5.50	
Market value of shares held at June 30, 1978	$4,132,421.14	$1,747,223.50	$1,096,431.88
Number of shares at June 30, 1979	524,649	344,190	$1,480,321.96
Share values	X 9.69	X 6.27	
Market value of shares held at June 30, 1979	$5,083,848.81	$2,158,071.30	$1,480,321.96

STATE OF MINNESOTA
DEFERRED COMPENSATION PLAN (1)
BALANCE SHEET
FISCAL YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)
(Unaudited)

	1978	1979
ASSETS		
Deposits in State Treasury	$ (8)	$ 8
Accounts Receivable – Fixed Return Earnings	255	567
Short Term Investments	240	200
Accrued Interest on Investments		
Participation in Minnesota Supplental Retirement Fund (2):		
Income Account Shares	3,985	4,903
Growth Account Shares	3,022	3,789
Fixed Return Account	4,997	8,904
Total Assets	**$12,491**	**$18,371**
LIABILITIES AND RESERVES		
Liabilities:		
Account Payable:		
Member Withdrawals	$ 24	$ 39
Member Investments in Supplemental Retirement Fund	429	729
Total Liabilities	**$ 453**	**$ 768**
Reserves:		
Reserve for Cost of Shares	$12,038	$17,603
Reserve for Undistributed Fixed Return Earnings		
Total Reserves	**$12,038**	**$17,603**
Total Liabilities and Reserves	**$12,491**	**$18,371**

The footnotes are an integral part of the financial statements.

DEFERRED COMPENSATION PLAN
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FISCAL YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)
(Unaudited)

	1978	1979
Receipts:		
Member Contributions	$4,962	$5,569
Interest on Short Term Investments	18	32
Fixed Return Earnings	255	567
Total Receipts	**$5,235**	**$6,168**
Disbursements:		
Income Shares Withdrawn	$ 214	$ 232
Growth Shares Withdrawn	86	104
Fixed Return Withdrawn	57	97
Uninvested Balances Withdrawn		
Salary Deductions Refunded – Erroneous	3	1
Interest Paid – Fixed Return Withdrawals	2	2
Administrative Expense	99	167
Total Disbursements	**$ 461**	**$ 603**
Net Distribution to Reserves	**$4,774**	**$5,565**

The footnotes are an integral part of the financial statements.

Deferred Compensation Plan Footnotes

1. All public employees and officials in the State of Minnesota are eligible to participate in a Deferred Compensation Plan administered by the Minnesota State Retirement System. State employees have been eligible since 1972 while political subdivision employees first began participating in 1976. Under this plan, the individual may defer receiving a part of his salary until after retirement and thus also postpone the income tax liability on such deferred salary until after retirement. Another advantage is that investment of deferred salary is made before tax dollars are deducted.

   The deferred compensation is invested in the Income Share Account, Growth Share Account, or the Fixed Return Account of the Minnesota Supplemental Retirement Fund, or in various combinations of these accounts.

2. Market value of shares held:

	Income	Growth	Fixed Return
Number of shares at June 30, 1978	539,948	581,677	$4,996,761.58
Share values	X 8.78	X 5.50	
Market value of shares at June 30, 1978	$4,740,743.44	$3,199,223.50	$4,996,761.58
Number of shares at June 30, 1979	640,108	711,236	$8,904,284.35
Share values	X 9.69	X 6.27	
Market value of shares at June 30, 1979	$6,202,646.52	$4,459,449.72	$8,904,284.35

STATE OF MINNESOTA
JUDGES RETIREMENT FUND (1)
BALANCE SHEET
FISCAL YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)
(Unaudited)

	1978	1979
ASSETS		
Cash	$ 5	$ 1
Short Term Investments	179	613
Accrued Interest in Investments	43	69
Investments in Debt Securities at Amortized Cost	1,692	1,977
Investments in Government National Mortgages at Amortized Cost	312	281
Investments in Equities at Cost (2)	518	754
Dividends Declared and Payable but Not Yet Received	3	4
Deferred Yield Adjustment Account	(6)	(5)
Participation in the MAFB Fund	2,236	3,227
Total Assets (3)	**$4,982**	**$6,921**
LIABILITIES AND RESERVES		
Liabilities:		
Deferred Credits and County Reimbursement	$ 85	$ 61
Accounts Payable:		
a) Due SER Fund	11	14
b) Due MAFB Fund	7	
c) Security Purchases	25	
d) Due General Fund		1
Total Liabilities	**$ 128**	**$ 76**
Reserves:		
Minnesota Adjustable Fixed Benefit Fund:		
Actuarial Reserve Requirements	$2,315	$3,306
Annuity Stabilization Reserve	(79)	(79)
Reserve for Benefits	**$2,236**	**$3,227**
Survivor Benefit Reserve	$ 83	$ 491
Retirement Reserve "Old Law" Judges	846	844
Member Contribution Reserve	1,264	1,554
State Contribution Reserve	425	729
Total Reserves	**$4,854**	**$6,845**
Total Liabilities and Reserves	**$4,982**	**$6,921**

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

JUDGES RETIREMENT FUND
STATEMENT OF REVENUES AND EXPENDITURES
FISCAL YEARS ENDED JUNE 30, 1978 and 1979
(000's Omitted)
(Unaudited)

	1978	1979
Revenues:		
From Judges:		
Judges Contributions	$ 410	$ 393
From the State:		
General Fund Appropriations		10
Transfers from the State General Fund	729	1,311
From Investments:		
Interest on Short Term Investments	17	40
Interest from Debt Securities	121	174
Interest from Government National Mortgages	20	24
Dividends on Corporate Stock	17	37
Gain on Sale of Stock	4	5
From MAFB Fund Participation:		
Participation in MAFB Fund Income	120	153
Other:		
Transfer from Surv. of County and Probation Judges (3)		399
County Reimbursements		102
Total Revenues	$1,438	$2,648
Expenditures:		
Benefits Paid:		
Retirement Annuities	$ 366	$ 563
Survivors Benefits	48	50
Disabilities	12	26
Refunds Paid:		
Erroneous Contributions		1
To Counties		3
Other Expenses:		
Administrative Expenses	11	14
Total Expenditures	$ 437	$ 657
Excess of Revenue Over Expenditures	$1,001	$1,991
Prior Years Adjustments		
Net Distribution to Reserve	$1,001	$1,991

Judges Retirement Fund Footnotes

1. **Judges Retirement Fund (JRF)** – JRF is a defined benefit retirement plan covering the judges in the State of Minnesota. Benefits are determined by a formula using the high-five average salary and years of service of each judge. Contributions made to the fund by the judges are set in statute. State contributions to the fund are made on a "terminal funding" basis.

   For the year ended June 30, 1979, the state contributed $1.3 million to the plan and state judges contributed $393 thousand.

   The actuarial valuation concluded as of June 30, 1978, indicated that the present value of earned benefits was $17.3 million which exceeded applicable fund assets by $12.3 million. The unfunded supplemental liability of the JRF, based on the present value of benefits for past and future services, was estimated to be $15.5 million at June 30, 1978.

2. The market value of investments as of June 30, 1978 was $512,219 and as of June 30, 1979 was $783,563.

3. Laws 1979, chapter 296 transfers the assets and obligaitons of the Survivors of County and Probate Court Judges Plan to the Judges Retirement Fund.

PROPRIETARY FUNDS

The **MAXIMUM EFFORT SCHOOL LOAN FUND** receives revenue from bonds and interest earnings from loans made to school districts for construction.

The **COMPUTER SERVICES FUND** bills agencies for computer services provided. The Information Systems Bureau within the Department of Administration administers this fund.

The **MICROGRAPHICS INTERNAL SERVICE FUND** provides a microfilming and records retention service to state agencies and some local units of government. The Micrographics Division of the Department of Administration administers this fund on a self-supporting basis.

The **CENTRAL MOTOR POOL INTERNAL SERVICE FUND** is a self-supporting fund which is comprised of three activities:

- Central Motor Pool Services manages and services a fleet of vehicles for utilization by state agencies;
- The Commuter Van Program provides commuter vans to state employees who are billed to recover costs;
- Central Delivery Services provides a delivery service to state agencies within and around the capital complex.

STATE OF MINNESOTA

MAXIMUM EFFORT SCHOOL LOAN FUND (1)
COMPARATIVE BALANCE SHEET
JUNE 30, 1978 and 1979
(000's Omitted)

	(Unaudited) 1978	1979
ASSETS		
Cash	$ 5,917	$ 394
Cash on Deposit in Debt Service Fund		3
Investments (1979 market value of $13,037)	4,004	12,720
Accrued Investment Income	116	316
Prepaid Interest (2)		1,626
Loans Receivable	40,523	36,233
Total Assets	**$50,560**	**$51,292**
LIABILITIES AND RETAINED EARNINGS		
Liabilities:		
Bonds Payable	$37,025	$31,490
Due to Debt Service Fund:		
Principal		3,980
Interest		1,626
Total Liabilities	**$37,025**	**$37,096**
Retained Earnings:		
Appropriated for Loans and Debt Redemption	$13,535	$14,196
Total Liabilities and Retained Earnings	**$50,560**	**$51,292**

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

MAXIMUM EFFORT SCHOOL LOAN FUND
CHANGE IN FINANCIAL POSITION
FOR FISCAL YEAR ENDING JUNE 30, 1979
(000's Omitted)

	1979
Revenues:	
Principal Received on Loans	$ 4,857
Interest Received on Loans	1,101
General Obligation Bonds	1,500
Investment Income	665
Total Revenues	$ 8,123
Less Refunds	8
Net Revenues	$ 8,115
Other Sources:	
Increase to Loans Receivable	$ 68
Interest Defaults Capitalized to Loan Principal (3)	499
Net Decrease to Bonds Payable	5,535
Increase to Prepaid Interest	1,626
Total Other Sources	$ 7,728
Total Sources	$15,843
Expenditures:	
New Loans	$ 68
Other Uses:	
Transfers to Debt Service	$10,257
Decrease in Outstanding Loans	4,857
Total Other Uses	$15,114
Total Uses	$15,182
Excess of Sources Over Uses	$ 661
Retained Earnings, July 1	13,535
Retained Earnings, June 30	$14,196

The footnotes are an integral part of the financial statements.

Maximum Effort School Loan Fund Footnotes

1. Bonds Authorized and Unissued were $2,225,000 as of June 30, 1979.
2. Prepaid interest represents the interest payable to the Debt Service Fund for interest on bonds which have not yet matured.
3. Pursuant to Minnesota Statutes 124.45.

STATE OF MINNESOTA
COMPUTER SERVICES – INTERNAL SERVICE FUND
BALANCE SHEET
JUNE 30, 1979
(000's Omitted)

ASSETS

Current Assets:		
Cash	$4,282	
Accounts Receivable	1,734	
Advance to Micrographics Division	123	
Total Current Assets		$6,139
Non-Current Assets:		
Fixed Assets (1)	$7,184	
Less Accumulated Depreciation	(4,035)	$3,149
Capital Leases (3)	$ 644	
Less Accumulated Amortization	(143)	501
Total Non-Current Assets		$3,650
Total Assets		$9,789

LIABILITIES, CONTRIBUTIONS AND RETAINED EARNINGS

Current Liabilities:		
Accounts Payable	$ 540	
Contracts Payable:		
Capital Leases	118	
Installment Purchases	745	
Salaries Payable	173	
Total Current Liabilities		$1,576
Long-Term Liabilities:		
Capital Leases	$ 452	
Installment Purchases	3,166	
Total Long Term Liabilities		$3,618
Total Liabilities		$5,194
Contributions and Retained Earnings:		
Contribution from General Fund		$ 250
Retained Earnings (4), (5), (6)		4,345
Total Liabilities, Contributions and Retained Earnings		$9,789

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

COMPUTER SERVICES – INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
YEAR ENDED JUNE 30, 1979
(000's Omitted)

Operating Revenue: (1)		
Billings for Computer Services		$14,235
Operating Expenses: (1), (2)		
Salaries	$5,752	
Rent – Data Processing Equipment	2,860	
Rent – Floor Space	201	
Other Rent	23	
Data Processing	1,057	
Depreciation	1,587	
Amortization	143	
Maintenance Contracts and Repairs	532	
Printing	266	
Microfilming	216	
Consultants	118	
Professional Services	49	
Education	50	
Purchased Services	44	
Utilities	194	
Travel	36	
Materials and Supplies	128	
Interest	272	
Indirect Costs	307	
General	22	
Total Operating Expenses		**$13,857**
Operating Income		**$ 378**
Other Income:		
Gain on Sale of Fixed Assets	$ 1	
Vendor Credit Refunds	2	3
Net Income		**$ 381**
Retained Earnings, July 1, 1978	$3,901	
Add: Adjustment for Advance (6)	63	
Retained Earnings, July 1 as restated		3,964
Retained Earnings, June 30, 1979		**$ 4,345**

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

COMPUTER SERVICES – INTERNAL SERVICE FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED JUNE 30, 1979
(000's Omitted)

Financial Resources Provided:		
Net Income	$ 381	
Add: Expenses Not Requiring Outlay of Working Capital:		
Depreciation	1,587	
Amortization	143	
Less: Credits Not Generating Working Capital:		
Gain on Sale of Fixed Assets	(1)	
Other Sources:		
Proceeds from Disposal of Fixed Assets	2	
Decrease of Non-Current Portion of Advance	123	
Total Financial Resources Provided		$2,235
Financial Resources Applied:		
Purchase of Fixed Assets	$ 443	
Retirement of Long Term Liabilities	581	
Extinguishment of Long Term Liabilities	550	
Total Financial Resources Applied		$1,574
Increase in Working Capital		$ 661

	June 30, 1979	June 30, 1978	Increase (Decrease) in Working Capital
Composition of Working Capital:			
Current Assets:			
Cash	$4,282	$3,499	$ 783
Accounts Receivable	1,734	1,386	348
Advance to Micrographics Division – Current	123		123
Total Current Assets	$6,139	$4,885	
Current Liabilities:			
Accounts Payable	$ 540	$ 497	$ (43)
Contracts Payable – Current	863	313	(550)
Salaries Payable	173	173	
Total Current Liabilities	$1,576	$ 983	
Working Capital	$4,563	$3,902	
Increase in Working Capital			$ 661

The footnotes are an integral part of the financial statements.

Computer Services Fund Footnotes

1. **Summary of Significant Accounting Policies**
The Computer Services Fund (ISD) utilizes full accrual accounting except for certain expenses described in footnote #2.

Sales are reported with the point of sale being recognized at the billing date which is the last day of the month. No allowance is being made for doubtful accounts.

Expenses are based on data received from the Statewide Accounting System (S.W.A.). Also, the Department of Finance allocates indirect costs for general fund services to I.S.D. Those costs totaled approximately $300,000 for the fiscal year.

Fixed assets are recorded at historical cost less accumulated depreciation. Fixed assets are depreciated on a straight line basis by class of asset. The Internal Revenue Service class life asset depreciation range (A.D.R.) is used to determine useful life with the exception of computers and peripheral equipment which are depreciated over three years. Consistent with the class life A.D.R. system, no salvage value is used.

2. **Non-Accrued Expense**
Vacation and sick leave earned by employees is recognized as an expense when accumulated time is either taken off by employees or an employee terminates.

Because I.S.D. is a service agency, as opposed to a manufacturing agency, supplies are expensed as purchased rather than as consumed.

3. **Leases and Contracts Payable**
I.S.D. leases an extensive amount of equipment. Several major leases contain bargain purchase options. Major leases represent over a third of all annual lease payments and have terms of from three to seven years.

In October, 1978, I.S.D. entered into a lease with ITEL Corporation for the lease of a Recognition Equipment, Inc. Input 80, Model C1 Scanner and related equipment. The lease is for a five year period with an option to purchase the equipment for $1.00 at the end of the lease. The following is a schedule by years of future minimum lease payments under capital leases together with present value of the net minimum lease payments as of June 30, 1979.

Year Ending June 30:	
1980	$ 151,320
1981	151,320
1982	151,320
1983	151,320
1984	50,440
Total Minimum Lease Payments	**$ 655,720**
Less: Amount representing interest	85,590
Present value of net minimum lease payments	**$ 570,130**

The following is an estimate by years of estimated future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 1979.

Year Ending June 30:	
1980	$2,208,492
1981	1,971,195
1982	460,981
1983	1,980
1984	
Total minimum payments required	**$4,642,648***

*Because maintenance is an integral part of any lease of data processing equipment, the maintenance cost is included.

I.S.D. has two long term contracts payable to Capital Funding Corporation for the installment purchase of central processing units, terminals and printers. The noncurrent portion of the contracts are as follows:

CPU's	$1,450,985
Terminals and Printers	1,715,091
Total	**$3,166,076**

4. **Accumulated Retained Earnings**
A cost study done by auditors from the U.S. Department of Labor and the Department of Health, Education and Welfare (H.E.W.) recommends that I.S.D. refund all of their retained earnings. Auditors from H.E.W. audit agency are currently auditing the 1977 refunds made and determining if additional refunds are to be made. The exact amount of refunds that I.S.D. will be required to make is uncertain but could equal the entire retained earnings balance. The retained earnings balance at June 30, 1979 was $4,345,368.65.

5. **New Legislation Affecting I.S.D.**
Minnesota Laws 1979, Chapter 333, Section 56, Subd. 1(a) restricted I.S.D.'s "Paid-In Capital" to $2,156,000 effective July 1, 1979. Any amount in excess of this figure will have to be transferred to the general fund. At this time the full impact of the legislation is not known. Also, Law 1979, Chapter 333, Section 56, Subd. 1(c) appropriated $206,900 (of which $201,473 was used) to Micrographics to repay I.S.D. for Micrographics operating loss in FY 1977 of $63,106, I.S.D.'s advance to Micrograhiics of $60,000 and to purchase $78,336 (NBV) of equipment and furniture from I.S.D. The money was transferred to I.S.D. in July, 1979. According to the same law, I.S.D. must transfer the $201,473 it received from Micrographics to the general fund. This will reduce the current assets shown on the attached balance sheet by $123,106 (Advance) and reduce the net fixed assets by $78,336 (equipment and furniture).

6. **Micrographics Advance**
In Fiscal Year 1977, Micrographics was a division of I.S.D. In Fiscal Year 1978, Micrographics was identified as a separate entity and given a $60,000 advance. During Fiscal Year 1979 it was decided that the 1977 loss of $63,106 should also have been identified as an advance. Micrographics is reported as a separate fund in this report.

STATE OF MINNESOTA
MICROGRAPHICS INTERNAL SERVICE FUND
BALANCE SHEET
JUNE 30, 1979
(000's Omitted)

ASSETS		
Current Assets:		
Cash	$30	
Accounts Receivable	34	
Inventory	33	
Total Current Assets		$ 97
Non-Current Assets:		
Equipment	$21	
Less Accumulated Depreciation	2	
Total Non-Current Assets		19
Total Assets		$116
LIABILITIES AND RETAINED EARNINGS		
Current Liabilities:		
Accounts Payable		$ 30
Advance from Computer Services Fund (3)		123
Total Current Liabilities		$153
Retained Earnings (4)		(37)
Total Liabilities and Retained Earnings		$116

The footnotes are an integral part of the financial statements.

MICROGRAPHICS INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
YEAR ENDED JUNE 30, 1979
(000's Omitted)

Revenue:		
Billings for Services:		
In-House	$325	
External	79	
Total Revenue		$404
Expenses:		
Salaries	$174	
Rent	32	
Materials and Supplies (1)	61	
Depreciation Expense (2)	2	
Depreciation Paid to Computer Services Fund (Note 2)	31	
Outside Vendor Expense	69	
Other Expenses	35	
Total Expenses		$404
Net Income from Operations		$
Retained Earnings, July 1, 1978	$ (35)	
Less: Prior Period Adjustment	(2)	
Retained Earnings, July 1, 1978 as restated		(37)
Retained Earnings, June 30, 1979		$ (37)

The footnotes are an integral part of the financial statements

STATE OF MINNESOTA

MICROGRAPHICS INTERNAL SERVICE FUND
STATEMENT OF SOURCE AND USE OF FUNDS
FOR THE YEAR ENDED JUNE 30, 1979
(000's Omitted)

Cash Balance, July 1, 1978		$ 45
Cash Provided By:		
Prior Years Receipts	$ 47	
Operations	369	416
Cash Available		$461
Cash Applied to:		
Prior Years Payables	$ 38	
Operations	373	
Equipment	20	431
Cash Balance, June 30, 1979		$ 30

The footnotes are an integral part of the financial statements.

Micrographics Internal Service Fund Footnotes

1. **Summary of Significant Accounting Policies**
   All significant expenses are recognized on an accrual basis. Expenses for supply items reflect consumption rather than the effect of fluctuations in inventory. All store room items are counted monthly and valued at cost. Inventories are accounted for on a first-in first-out basis. Although a liability for employee vacation and sick leave exists, it has not been recognized on these statements. Other expenses are payments recorded in the statewide accounting system plus obligations incurred as of the statement date. All microfilming work is billed on a monthly cycle of the first through the thirty first and are recognized as accrued accounts receivable for the month end statements.

2. **Fixed Assets**
   Fixed assets carried on June 30, 1979 are depreciated on the straight line method over five years to zero because of obsolesence due to rapid technological charges in the microfilm industry. ISD depreciation expense represents repayment of microfilming equipment purchased through the Computer Services Fund but used by the micrographics division. The book value of these assets on June 30, 1979 is $78,336. These assets are included on the Computer Services Fund's Balance Sheet as of June 30, 1979.

3. **New Legislation Affecting Micrographics**
   Minnesota Laws 1979, Chapter 333, Section 56, Subd. 1, appropriated $206,900 to repay Computer Services for the equipment and furniture noted above ($78,336) plus Cash Advances of $60,000 and the fiscal year 1977 operating loss of $63,106. The total money used was $201,473 of the $206,900 appropriated with the remainder returned to the General Fund. See Computer Services Fund's footnotes for a further explanation of the effect of this legislation.

4. Minnesota Laws 1979, Chapter 333, Subdivision 1(a) restricted the Micrographics Fund's "Paid-In Capital" to $111,000 effective July 1, 1979. Any amount in excess of this figure will have to be transferred to the General Fund.

STATE OF MINNESOTA
CENTRAL MOTOR POOL – INTERNAL SERVICE FUND (1)
BALANCE SHEET
JUNE 30, 1979
(000's Omitted)

	Central Motor Pool Services	Commuter Van Program	Central Delivery Service	Fund Total (2)
ASSETS				
Current Assets:				
Cash	$ 263	$ 62	$ 8	$ 333
Accounts Receivable	192		12	191
Prepaid Insurance	18	1		19
Automotive Parts and Supplies	18			18
Total Current Assets	$ 491	$ 63	$20	$ 561
Non-Current Assets:				
Vehicles and Accessories	$3,640	$100	$24	$3,764
Less Accumulated Depreciation	1,659	46	2	1,707
	1,981	54	22	2,057
Shop and Office Equipment	32			32
Less Accumulated Depreciation	12			12
	20			20
Car Wash	29			29
Less Accumulated Depreciation	3			3
	26			26
Total Non-Current Assets	$2,027	$ 54	$22	$2,103
Total Assets	$2,518	$117	$42	$2,664
LIABILITIES, CONTRIBUTIONS AND RETAINED EARNINGS				
Current Liabilities: (4)				
Accounts Payable	$ 161	$ 14	$ 4	$ 166
Contributions and Retained Earnings:				
Contribution from General Fund	637	100		737
Retained Earnings (5)	1,720	3	38	1,761
Total Liabilities, Contributions and Retained Earnings	$2,518	$117	$42	$2,664

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

CENTRAL MOTOR POOL – INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
YEAR ENDED JUNE 30, 1979
(000's Omitted)

	Central Motor Pool Services	Commuter Van Program	Central Delivery Services	Fund Total (1)
Billings for Services:				
Vehicle Rental	$1,854	$	$	$1,854
Reimbursements for Repairs and Miscellaneous Services	77			77
Commuter Van Repairs and Services Reimbursed	13			
Van Rental		45		45
Central Delivery Service Billings			141	141
Total Billings	$1,944	$45	$141	$2,117
Expenses:				
Salaries	$ 269	$	$114	$ 383
Auto Repairs – Parts and Services of Outside Vendors	65	1	1	67
Gas and Oil	700	20		709
Vehicle Insurance	34	2		36
Auto Parts – Shop	120	4		122
Supplies	7		3	10
Space Rental	39		1	40
Depreciation	688	20	2	710
Indirect Costs	28			28
General	23	1	1	25
Total Operating Expenses	$1,973	$48	$122	$2,130
Operating Income (Loss)	$ (29)	$(3)	$ 19	$ (13)
Other Income:				
Net Gain on Sale of Usable and Wrecked Vehicles	$ 67			$ 67
Net Income	$ 38	$(3)	$ 19	$ 54
Adjustments to Retained Earnings (3)	$ 200	$	$ 15	$ 215
Retained Earnings, July 1, 1978 as restated	$1,681	$ 6	$ 19	$1,706
Retained Earnings, June 30, 1979	$1,719	$ 3	$ 38	$1,760

The footnotes are an integral part of the financial statements.

STATE OF MINNESOTA

CENTRAL MOTOR POOL – INTERNAL SERVICE FUND
STATEMENT OF SOURCE AND USE OF FUNDS
FOR THE YEAR ENDED JUNE 30, 1979
(000's Omitted)

	Central Motor Pool Services	Commuter Van Program	Central Delivery Services	Fund Total
Cash Balance, July 1, 1978	$ 463	$30	$ 19	$ 512
Cash Provided by:				
Billings for Services	1,686	45	133	1,864
Prior Years Receipts	165	2		167
Sale of Vehicles	200			200
Reimbursement from Agencies	66			66
Total Cash Provided	$2,117	$47	$133	$2,297
Cash Available	$2,580	$77	$152	$2,809
Cash Applied to:				
Operating Expenses	$1,146	$14	$120	$1,280
Fixed Asset Purchases	923		24	947
Prior Years Obligations	248	1		249
Total Cash Applied	$2,317	$15	$144	$2,476
Cash Balance, June 30, 1979	$ 263	$62	$ 8	$ 333

The footnotes are an integral part of the financial statements.

Central Motor Pool – Internal Service Fund Footnotes

1. **Summary of Significant Accounting Policies**
The Central Motor Pool Internal Service Fund utilizes full accrual accounting except for certain expenses

C.M.P. vehicle rentals are accrued to the period the vehicle was returned. Reimbursements from agencies and insurance companies are reported on a cash basis except for commodities billed to commuter van operations.

Expenses are based on data received from the Statewide Accounting System (S.W.A.). Also, the Department of Finance allocates indirect costs for general fund services to C.M.P.

Vacation and sick leave earned by employees is recognized as an expense when accumulated time is either taken off by employees or an employee terminates.

Insurance costs are capitalized as a prepaid expense when purchased and amortized over the period of coverage.

Inventories of automotive parts and petroleum supplies are valued at last invoice price for an annual physical inventory as of June 1979.

Fixed assets are recorded at historical costs less accumulated depreciation. Fixed assets are depreciated on a straight line basis over the estimated useful life. The useful life for all vehicles has been estimated at 3-1/3 years, with a salvage value determined on a purchase-by-purchase basis at approximately 16 percent of acquisition cost. Beginning with Fiscal Year 1980 salvage value of vehicles will be adjusted to uniform 25 percent of acquisition cost to reflect current resale values. Automotive car wash equipment useful life is estimated at 10 years with no salvage value. Shop and office equipment useful life and salvage values are estimated to be the same as determined by the Inventory Management Division of the Department of Administration.

2. **Commuter Van Chargeback**
The commuter van operations are provided gas, maintenance and repair services by the C.M.P. automotive shop. The C.M.P. charges the commuter vans for gasoline, motor oil, and parts provided. For Fiscal Year 1979, $11,241 was charged for petroleum supplies and $1,742 for automotive parts. The effect of these intrafund transactions are eliminated from the 'Fund Total' column on the financial statements.

3. Financial statements prepared for internal purposes in Fiscal Year 1978 were not presented on a basis consistent with generally accepted accounting principles (GAAP). The adjustments to the July 1, 1978 retained earnings balances are necessary to conform to the accrual basis of accounting as prescribed by GAAP. The attempt to reconstruct financial statements to conform with GAAP required adjustments of $66,000, the cause of which has not been identified.

4. **Significant Obligations Initiated During Fiscal Year 1979**
As of the fiscal year-end, 16 C.M.P. vehicles were on order at a total price of $80,323. These were delivered by the end of the first quarter of Fiscal Year 1980. Also, the C.M.P. has let a contract for paving the rear parking lot for $39,595 during the first quarter of Fiscal Year 1980.

Commuter vans will be the recipient of six vans with delivery expected in the first half of Fiscal Year 1980. These are being purchased with parking surcharge funds for a price of $56,118. Central Delivery Services had $20,000 of equipment on order at the end of Fiscal Year 1979.

5. Minnesota Laws 1979, Chapter 333, Section 56 restricts the "Paid In Capital" amounts for the funds three activities. Any amount in excess of these figures will have to be transferred to the general fund. At this time, the full impact of the legislation is not known. The restricted amounts for the three activities are:

– Central Motor Pool Services	$252,000
– Commuter Van Program	$ 2,000
– Central Delivery Services	$ 46,000

STATE OF MINNESOTA

GENERAL LONG-TERM DEBT GROUP OF ACCOUNTS
STATEMENT OF CHANGES IN GENERAL LONG-TERM DEBT
YEAR ENDED JUNE 30, 1979
(000's Omitted)

	Beginning Balance	Increase	Decrease	Ending Balance
Amount Available and to be Provided for the Payment of General Long-Term Debt:				
Amount Available in Debt Service Fund	$	$ 59,988	$	$ 59,988
Amount to be Provided:				
General Fund	656,668	87,000	97,238	646,430
State Airports Fund	2,170		830	1,340
Trunk Highway Fund	100,730		20,384	80,346
Employment Services Fund	1,620		385	1,235
Loans Receivable:				
State Universities	17,580		445	17,135
Total Available and to be Provided	$778,768	$146,988	$119,282	$806,474
General Long-Term Debt Payable:				
Bonds Payable	$772,568	$ 87,000	$ 58,900	$800,668
Loans Payable	6,200		394	5,806
Total General Long-Term Debt Payable	$778,768	$ 87,000	$ 59,294	$806,474

The footnotes are an integral part of the financial statements.

GENERAL LONG-TERM DEBT GROUP OF ACCOUNTS
STATEMENT OF CHANGES IN GENERAL LONG-TERM DEBT
YEAR ENDED JUNE 30, 1978
(000's Omitted)
(Unaudited)

	Beginning Balance	Increase	Decrease	Ending Balance
Amount Available and to be Provided for the Payment of General Long-Term Debt:				
Amount to be Provided:				
General Fund	$596,332	$103,000	$42,664	$656,668
State Airports Fund	2,570		400	2,170
Trunk Highway Fund	79,894	31,000	10,164	100,730
Employment Services Fund	1,810		190	1,620
Loans Receivable:				
State Universities	18,010		430	17,580
Total Available and to be Provided	$698,616	$134,000	$53,848	$778,768
General Long-Term Debt Payable:				
Bonds Payable	$692,022	$134,000	$53,454	$772,568
Loans Payable	6,594		394	6,200
Total General Long-Term Debt Payable	$698,616	$134,000	$53,848	$778,768

The footnotes are an integral part of the financial statements.

General Long-Term Debt Footnotes

1. State has issued general obligation bonds; proceeds were loaned to the State University System to retire their revenue bonds.
2. Total Long-Term Debt excludes two contingent liabilities which are backed by the full faith and credit of the state. These are:
   (1) Bonds payable in the Maximum Effort School Loan Fund.
   (2) Contingent liability under Minnesota Statutes 475A "Municipal Debt Service Aid Law" totals $8,876,109 as of June 30, 1979.

STATE OF MINNESOTA
HISTORY OF GENERAL OBLIGATION DEBT
1930-1979
(Unaudited)

Fiscal Year	New Issues (Thousands)	Weighted Average Rate (%)	Principal Payments (Thousands)	Debt Service (Thousands)	Outstanding Debt (Thousands)	Debt[1] Per Capita	Debt[2] to Personal Income (%)	Debt Service to Operating Expenditures (%)
1930					$ 91,708	$ 35.77	6.4	
1940					121,607	43.56	8.3	
1950					129,815	43.53	3.3	
1960					202,958	59.45	2.9	
1970	$159,500	5.6	$18,860	$29,995	393,662	103.43	2.8	1.9
1971	138,280	5.0	18,835	36,658	513,107	132.93	3.4	2.1
1972	60,000	4.5	21,500	44,281	551,607	142.28	3.4	2.3
1973	30,870	4.5	28,185	54,688	554,292	142.49	3.0	2.4
1974	107,825	4.9	38,505	68,074	623,612	159.74	3.0	2.9
1975	33,835	5.7	42,530	71,828	614,917	156.83	2.8	2.6
1976	37,265	5.6	45,631	75,360	606,551	152.98	2.6	2.3
1977	174,000	4.8	48,375	82,786	732,177	184.20	2.8	2.3
1978	134,000	4.7	56,584	85,385	809,593	202.04	2.7	2.1
1979	88,500	5.6	61,955	99,372	836,138	207.02	2.5	2.1

Sources:

[1]Population estimates from:
Minnesota Department of Health: 1930-70
State demographer: 1971-77
Extrapolation based on estimated 1980 population of 4,077,000: 1978-79

[2]Personal income taken from:
U.S. Department of Commerce, Bureau of Economic Analysis: 1930-1978
Department of Finance projection: 1979

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT
BY PURPOSE AS OF JULY 1, 1979
(000's Omitted)
(Unaudited)

Authorization Year-Chapter	Type	Total Authorized	Components/Purpose	Amounts	Issued	Net Authorized Unissued
1969-1056	School Loans	$ 20,000	Acquisition and Betterment of Public School Land and Buildings	$ 20,000	$17,775	$ 2,225
1971-856	Municipal Aid	20,000	Municipal Aid	20,000	0	20,000
M.S. 116.17	Water Pollution Control	144,000	Prevention, Control, Abatement of Water Pollution	144,000	70,000	74,000
1977-421	State Buildings	61,500	Parks, Trails, Athletic Courts	32,400		
			Park Acquisitions	25,300		
			Bicycle Trails	3,800	54,000	7,500
1977-277	Trunk Highway	50,000	Trunk Highway and Interstate Bridges	50,000	31,000	19,000
1978-792	State Buildings	106,900	Statewide improvements	6,000		
			Capitol Complex	4,216		
			Duluth Government Center	11,500		
			Natural Resources	2,580		
			Voc-Tech construction	4,125		
			State Universities	10,188		
			Community Colleges	9,363		
			University of Minnesota	30,233		
			Minnesota Historical Society	3,624		
			Corrections	4,641		
			Public Welfare	16,850		
			Other	3,580	33,205	73,695
1979-280	State Transportation	52,000	County, Municipal, and Township Bridges	52,000	0	52,000
1979-300	State Building	3,275	Public dam reconstruction	3,275	0	3,275
1979-301	State Building	48,065	Metropolitan open space	27,000		
			Betterment of recreation lands	16,465		
			Bicycle trails	3,000		
			Nonmetro open space	1,600	0	48,065
1979-338	State Building	75,515	Statewide improvements	2,000		
			Capitol Complex	1,348		
			Natural Resources	878		
			Education	1,225		
			State Universities	6,221		
			Community Colleges	300		
			University of Minnesota	51,242		
			Corrections	10,478		
			Public Welfare	783		
			Other	40	0	75,515
	Total Authorized, Unissued					$375,275

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT
SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1980-1999
PRINCIPAL PAYMENTS – BOLDFACE INTEREST PAYMENTS – LIGHTFACE
(000's Omitted)

Type	Authorization Year-Chapter	Amount Outstanding 6-30-79	1980	1981	1982	1983	1984	1985
State Building, Capital Improvement	'63-1; '63-839	$ 13,013	**$ 3,258**	**$ 3,258**	**$ 3,258**	**$ 3,329**	**$**	**$**
			379	285	191	95		
	'63-677	10,640	**2,140**	**2,140**	**2,140**	**2,140**	**2,080**	
			296	230	164	98	32	
	'65-532; '65-882	18,470	**3,065**	**3,065**	**3,070**	**3,070**	**3,070**	**2,950**
			569	477	381	286	190	95
	X'67-8	34,954	**3,489**	**3,489**	**3,489**	**3,489**	**3,489**	**3,489**
			1,729	1,551	1,372	1,193	1,015	836
	'69-1159	85,426	**7,336**	**7,336**	**7,336**	**7,336**	**7,336**	**7,336**
			4,365	3,988	3,610	3,233	2,847	2,462
	'71-963; '73-778	116,495	**7,697**	**7,697**	**7,697**	**7,697**	**7,697**	**7,697**
			5,535	5,163	4,785	4,404	4,022	3,549
	'74-541	3,276	**205**	**205**	**205**	**205**	**205**	**205**
			181	169	157	144	132	121
	'75-436; '76-348	63,858	**3,540**	**3,540**	**3,540**	**3,540**	**3,540**	**3,540**
			3,236	3,092	2,939	2,781	2,615	2,207
	'77-451	34,316	**1,743**	**1,743**	**1,743**	**1,743**	**1,743**	**1,743**
			1,825	1,734	1,643	1,553	1,460	1,363
	'78-792	33,205	**1,660**	**1,660**	**1,660**	**1,660**	**1,660**	**1,660**
			1,861	1,766	1,670	1,575	1,479	1,384
State Building (Voc-Tech)	'75-436	13,350	**775**	**775**	**775**	**775**	**775**	**775**
			712	670	629	590	550	492
State Building (Natural Resources)	'75-415	18,000	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**
			886	846	798	746	696	646
State Building (Parks-Recreation)	'77-421	51,300	**2,700**	**2,700**	**2,700**	**2,700**	**2,700**	**2,700**
			2,391	2,283	2,175	2,067	1,945	1,810
Aeronautics	'63-791	1,760	**420**	**430**	**450**	**460**		
			54	41	28	14		
Trunk Highway	'59-538	2,340	**510**	**520**	**450**	**240**	**260**	**270**
	'67-873	52,500	**8,200**	**5,200**	**5,200**	**5,300**	**5,400**	**5,400**
			2,137	1,829	1,597	1,363	1,124	884
	'77-277	29,450	**1,550**	**1,550**	**1,550**	**1,550**	**1,550**	**1,550**
			1,373	1,311	1,249	1,187	1,117	1,039
State Transportation	'76-339	22,500	**1,250**	**1,250**	**1,250**	**1,250**	**1,250**	**1,250**
			1,149	1,099	1,049	999	943	755
	'77-277	48,100	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**
			2,355	2,245	2,134	2,024	1,904	1,774
School Loans	'63-601; '65-875	15,570	**2,755**	**2,755**	**2,755**	**2,755**	**2,700**	**950**
			457	372	286	200	113	45
	'67-583; '69-1056	19,900	**1,075**	**1,575**	**1,575**	**1,575**	**1,575**	**1,575**
			1,104	1,032	943	854	764	659
State Universities	'69-1152; '73-759	17,135	**460**	**470**	**490**	**505**	**520**	**540**
			910	886	861	836	809	781
Pollution Control	X'71-20; '73-771	43,750	**2,750**	**2,750**	**2,750**	**2,750**	**2,750**	**2,750**
			1,781	1,645	1,511	1,381	1,249	1,037
	'75-354	15,000	**750**	**750**	**750**	**750**	**750**	**750**
			841	798	755	711	668	625
Voyageurs National Park	'71-852	2,270	**600**	**600**	**600**	**470**		
			87	61	35	11		
Zoological Gardens	'73-207	24,560	**1,310**	**1,325**	**1,350**	**1,375**	**1,425**	**1,450**
			1,291	1,221	1,149	1,076	1,000	918
Vietnam Veterans' Bonus	'73-204	45,000	**3,000**	**3,000**	**3,000**	**3,000**	**3,000**	**3,000**
			2,050	1,912	1,774	1,637	1,499	1,360
TOTALS **Principal**		836,138	**65,738**	**63,283**	**63,283**	**63,074**	**58,975**	**55,080**
Interest			39,551	36,703	33,885	31,054	28,172	24,844
TOTAL DEBT SERVICE			**$105,289**	**$99,986**	**$97,168**	**$94,128**	**$87,147**	**$79,924**

NOTE: Columns may not add due to rounding.

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT
SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1980-1999
PRINCIPAL PAYMENTS – BOLDFACE INTEREST PAYMENTS – LIGHTFACE
(000's Omitted)

1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
$	$	$	$	$	$	$	$	$	$	$	$	$	$
180													
3													
3,489	3,489	3,469	1,789	1,789									
657	479	300	159	53									
7,336	7,336	7,336	7,336	7,336	4,725								
2,076	1,685	1,294	899	504	185								
7,697	7,697	7,697	7,697	7,697	7,697	7,697	4,597	4,597	3,097	2,251	1,793	53	53
3,177	2,803	2,426	2,043	1,658	1,266	1,021	773	528	324	184	77	6	3
205	205	205	205	205	205	205	205	205	205				
110	100	88	77	65	53	41	29	16	5				
3,540	3,540	3,540	3,540	3,540	3,540	3,540	3,540	3,540	3,540	3,540	3,488	93	93
2,050	1,891	1,730	1,567	1,402	1,233	1,059	884	706	526	343	161	11	5
1,743	1,743	1,743	1,743	1,743	1,743	1,743	1,743	1,743	1,743	1,743	1,743	1,743	1,193
1,267	1,171	1,078	984	896	807	718	628	537	445	352	258	164	69
1,660	1,660	1,660	1,660	1,660	1,660	1,660	1,660	1,660	1,660	1,660	1,660	1,660	1,660
1,288	1,193	1,097	1,002	914	826	738	648	559	467	376	283	190	95
775	775	775	775	775	775	775	775	775	775	775	175		
453	414	374	334	293	251	207	163	119	76	34	9		
1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000		
596	546	497	448	399	348	296	244	191	138	83	28		
2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	
1,675	1,540	1,419	1,297	1,173	1,049	922	794	664	535	402	270	135	
90													
5,400	5,500	5,600	1,300										
644	406	168	24										
1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	
962	884	815	745	673	602	529	456	381	307	231	155	78	
1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250		
704	651	598	543	486	429	369	310	249	188	125	63		
2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	600
1,645	1,515	1,395	1,275	1,156	1,037	916	793	669	545	419	292	164	35
900													
15													
1,575	1,575	1,675	1,675	1,675	375	375	375	375	375	375	375	75	75
570	480	388	293	198	141	122	103	84	64	44	24	9	4
555	580	600	620	3,055	4,315	200	200	4,025					
753	723	691	659	554	453	221	210	103					
2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	1,500	1,500	1,500	750		
906	802	729	654	577	499	418	337	254	174	96	38		
750	750	750	750	750	750	750	750	750	750	750	750	750	750
582	539	496	453	413	373	333	293	252	211	170	128	86	43
1,500	1,525	1,575	1,625	1,650	1,700	1,750	1,800	1,875	1,175	75	75		
844	767	686	601	513	421	325	225	121	39	8	4		
3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000					
1,220	1,081	940	797	655	512	367	221	74					
52,145	51,125	51,375	45,465	46,625	42,235	33,445	30,395	33,045	23,820	21,670	19,810	11,125	4,425
22,198	19,670	17,209	14,854	12,580	10,484	8,603	7,110	5,507	4,044	2,866	1,789	842	254
$74,343	$70,795	$68,584	$60,319	$59,205	$52,719	$42,048	$37,505	$38,552	$27,864	$24,536	$21,599	$11,967	$4,679

NOTE: Columns may not add due to rounding.

STATE OF MINNESOTA

ALL OTHER FUNDS
ANALYSIS OF CASH FLOW
YEAR ENDED JUNE 30, 1978
(000's Omitted)
(Unaudited)

	Cash Balance July 1	Receipts	Net Transfers and Adjustments	Total	Disbursements	Cash Balance June 30	Investments
TRUST AND AGENCY FUNDS							
Housing Finance	$ 71	$463,127	$39,886	$603,084	$601,964	$1,120	$ 45,972
Higher Education Coordinating Board	16	69,047	28	69,091	69,042	49	
Public Employees Retirement	476	500,754	(16,739)	484,491	484,323	168	478,767
Public Employees Police and Fire Fund	208	99,472	(2,945)	96,735	96,701	34	77,734
Teachers Retirement	(2,006)	566,220	(29,731)	534,483	534,438	45	517,331
Teachers Supplement Retirement	97	2,333	(1,949)	481	357	124	
Permanent University Fund	27	78	1	106	87	19	
ENTERPRISE FUNDS							
Enterprise Fund (Revolving)	5,814	26,594	(1,282)	31,126	25,648	5,478	5,387
Service Fund	65	336	86	487	450	37	
Prison Industries	340	3,513	539	4,392	4,299	93	622
INTERNAL SERVICE FUNDS							
General Services	1,113	10,616	(210)	11,519	10,575	944	

ALL OTHER FUNDS
ANALYSIS OF CASH FLOW
YEAR ENDED JUNE 30, 1979
(000's Omitted)
(Unaudited)

	Cash Balance July 1	Receipts	Net Transfers and Adjustments	Total	Disbursements	Cash Balance June 30	Investments
TRUST AND AGENCY FUNDS							
Housing Finance	$1,120	$403,043	$ 3,943	$408,106	$407,710	$ 396	$ 36,055
Higher Education Coordinating Board	49	45,262	83	45,394	45,343	51	140
Public Employees Retirement	168	488,194	(16,531)	471,831	471,600	231	544,491
Public Employee Police and Fire Fund	34	98,683	(5,030)	93,687	93,594	93	92,133
Teachers Retirement	45	600,928	(25,618)	575,355	575,348	7	597,382
Teachers Supplemental Retirement	124	2,452	(1,908)	668	525	143	
Permanent University Fund	19	111		130	111	19	
ENTERPRISE FUNDS							
Enterprise Fund (Revolving)	5,478	38,972	(694)	43,756	37,867	5,889	5,687
Service Fund	37	363	84	484	422	62	
Prison Industries	93	5,598	979	6,670	6,639	31	777
INTERNAL SERVICE FUNDS							
General Services	944	11,370	(92)	12,222	11,110	1,112	

TABLE 1
POPULATION
(000's Omitted)

Year	U.S.	Minnesota	% Change U.S.	% Change Minnesota
1950	151,213	2,998	–	–
1960	179,994	3,425	19.0	14.2
1970	203,824	3,815	13.2	11.4
1971	206,184	3,855	1.2	1.0
1972	208,205	3,871	1.0	0.4
1973	209,859	3,889	0.8	0.5
1974	211,359	3,904	0.7	0.4
1975	213,023	3,921	0.8	0.5
1976	214,689	3,955	0.8	0.9
1977	216,324	3,975	0.8	0.5
1978	218,036	4,008	0.8	0.8

Population figures used by Bureau of Economic Analysis, U.S. Department of Commerce.

TABLE 2
EMPLOYMENT MIX IN UNITED STATES AND MINNESOTA FOR 1978
(000's Omitted)

Category	Minnesota	% of Total	U.S.	% of Total
Manufacturing Durable	214.8	11.9	12,159	13.6
Manufacturing Non-Durable	143.5	8.0	8,172	9.2
Mining	16.5	0.9	837	0.9
Construction	79.6	4.4	4,213	4.7
Transportation and Public Utilities	94.2	5.2	4,858	5.5
Trade	425.5	23.6	19,393	21.8
Finance, Insurance and Real Estate	86.4	4.8	4,676	5.2
Service	331.5	18.4	15,976	17.9
Government	290.8	16.1	15,478	17.4
Agriculture	120.6	6.7	3,342	3.8
Total	**1,803.4**	**100.0**	**89,104**	**100.0**

Sources: U.S. Employment – U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, Volume 59, No. 6, June 1979.

Minnesota Employment – Minnesota Department of Economic Security, Mn. Non-Agricultural Wage and Salary Employment, January, 1950 – March, 1979, published June 1979.

U.S. and Minnesota Agricultural Employment: Unpublished data from Minnesota Department of Economic Security.

TABLE 3

PERSONS EMPLOYED IN DURABLE GOODS INDUSTRIES IN UNITED STATES AND MINNESOTA FOR 1978
(000's Omitted)

Durable Goods	Minnesota	% of Total	U.S.	% of Total
Furniture, Lumber and Wood	16.4	7.6	1,237	10.2
Stone, Clay, Glass	9.9	4.6	696	5.7
Primary Metals	6.8	3.2	1,206	9.9
Fabricated Metals	35.3	16.4	1,653	13.6
Nonelectrical Machines	75.5	35.1	2,337	19.2
Electrical Machines	27.2	12.7	1,966	16.2
Transportation Equipment	11.6	5.5	1,956	16.1
Other	32.1	14.9	1,108	9.1
Total	214.8	100.0	12,159	100.0

Sources: U.S. Employment – U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, Volume 59, No. 6, June 1979.

Minnesota Employment – Minnesota Department of Economic Security, Mn. Non-Agricultural Wage and Salary Employment, January, 1950 – March, 1979, published June 1979.

TABLE 4

PERSONS EMPLOYED IN NON-DURABLE GOODS INDUSTRIES IN UNITED STATES AND MINNESOTA FOR 1978
(000's Omitted)

Non-Durable Goods	Minnesota	% of Total	U.S.	% of Total
Food and Kindred	49.3	34.4	1,767	21.6
Textiles and Apparel	10.1	7.0	2,227	27.2
Paper and Allied	32.1	22.4	702	8.6
Printing and Publishing	30.8	21.5	1,181	14.5
Chemical and Petroleum	8.4	5.9	1,297	15.9
Rubber and Leather	12.8	8.8	999	12.2
Total	143.5	100.0	8,173	100.0

Sources: U.S. Employment – U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, Volume 59, No. 6, June 1979.

Minnesota Employment – Minnesota Department of Economic Security, Mn. Non-Agricultural Wage and Salary Employment, January, 1950 – March, 1979, published June 1979.

Unpublished Data, Minnesota Department of Economic Security.

TABLE 5

EMPLOYMENT MIX IN UNITED STATES AND MINNESOTA FOR 1970 AND 1978
(000's Omitted)

Category	Minnesota			United States		
	1970	1978	% Change	1970	1978	% Change
Manufacturing Durable	182.0	214.8	18.0	11,195	12,159	8.6
Manufacturing Non-Durable	136.7	143.5	5.0	8,154	8,172	0.2
Mining	15.2	16.5	8.6	623	837	34.3
Construction	63.4	79.6	25.6	3,536	4,213	19.1
Transportation and Public Utilities	86.1	94.2	9.4	4,504	4,858	7.9
Trade	316.2	425.5	34.6	15,040	19,392	28.9
Finance, Insurance and Real Estate	64.6	86.4	33.7	3,687	4,676	26.8
Services	216.2	331.5	53.3	11,621	15,976	37.5
Government	234.9	290.8	23.8	12,561	15,478	23.2
Agriculture	131.4	120.6	−8.2	3,462	3,342	−3.5
Total	1,446.7	1,803.4	24.7	74,383	89,103	19.8

Sources: MN 1970 – 1978 – Non-Agricultural Wage and Salary Employment, January, 1950 – March, 1979, published June 1979.

U.S. 1970 – Table B-32 Economic Report of the President – Transmitted to Congress, January 1978.

U.S. 1978 – U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, Volume 59 No. 6, June 1979.

U.S. Agricultural Employment: U.S. Department of Labor: Employment and Earnings Published Monthly.

MN Agricultural Employment: Unpublished data from Minnesota Department of Economic Security.

TABLE 6

MINNESOTA AND U.S. PER CAPITA PERSONAL INCOME

Year	Total Per Capita Personal Income			Per Capita Personal Income Net of Farm Income		
	Minnesota	U.S.	Minnesota as % of U.S.	Minnesota	U.S.	Minnesota as % of U.S.
1950	1,410	1,496	94.3	1,215	1,388	87.5
1960	2,075	2,222	93.4	1,920	2,141	89.7
1970	3,819	3,893	98.1	3,589	3,807	94.3
1971	3,999	4,132	96.8	3,788	4,045	93.6
1972	4,358	4,493	97.0	4,103	4,389	93.5
1973	5,115	4,980	102.7	4,512	4,809	93.8
1974	5,422	5,428	99.9	4,997	5,240	95.4
1975	5,784	5,861	98.7	5,461	5,848	93.4
1976	6,227	6,396	97.4	6,035	6,285	96.0
1977	7,118	7,026	101.3	6,663	6,905	96.5
1978	7,847	7,810	100.5	7,437	7,650	97.2

Sources: 1950 and 1960 – U.S. Department of Commerce, Bureau of Economic Analysis, March 24, 1976, issuance of Total Personal Income and Per Capita Income by States and Regions, Selected Years 1948 – 1974.

1970 – 1974 – U.S. Department of Commerce, Bureau of Economic Analysis – Total Personal Income, By States and Regions, Selected Years.

1975 – 1978 – Personal Income Data issued by Bureau of Economic Analysis, April 1979; consistent with April 1979 Survey of Current Business.

TABLE 7
PERSONAL INCOME DATA FOR TWELVE STATE NORTH CENTRAL REGION

State	1970 Personal Income (millions)	1978 Personal Income (millions)	% Increase 1970-1978	% Increase Rank	Population (thousands)	Per Capita Personal Income	Regional Rank
Illinois	$49,462	$98,315	98.8	12	11,242	$8,745	1
Ohio	42,133	83,973	99.3	11	10,749	7,812	6
Michigan	35,955	77,571	115.7	7	9,189	8,442	2
Indiana	19,299	41,361	114.3	8	5,374	7,696	7
Wisconsin	16,427	35,545	116.4	5	4,679	7,597	8
Missouri	17,119	35,682	108.4	10	4,860	7,342	11
Minnesota	14,571	31,453	115.9	6	4,008	7,847	5
Iowa	10,306	22,798	121.2	4	2,896	7,873	4
Kansas	8,374	18,785	124.3	3	2,348	8,001	3
Nebraska	5,442	11,570	112.6	9	1,565	7,391	10
South Dakota	2,072	4,717	127.7	2	690	6,841	12
North Dakota	1,904	4,875	156.0	1	652	7,478	9

Sources: 1970 – U.S. Department of Commerce, Bureau of Economic Analysis, Total Personal Income and Per Capita Income by States and Regions, Selected Years issued August 1978.

1978 – Survey of Current Business, April 1979.

TABLE 8
NON-AGRICULTURAL EMPLOYMENT IN TWELVE STATE NORTH CENTRAL REGION
(000's Omitted)

State	1970 Employment	1978 Employment	% Increase 1970-1978	% Increase Rank
Illinois	4,329	4,703	8.6	12
Ohio	3,881	4,325	11.4	11
Michigan	3,005	3,527	17.4	8
Indiana	1,849	2,164	17.0	9
Wisconsin	1,530	1,867	22.0	7
Missouri	1,662	1,879	13.1	10
Minnesota	1,317	1,677	27.3	4
Iowa	883	1,087	23.1	6
Kansas	677	890	31.5	3
Nebraska	482	596	23.7	5
South Dakota	175	232	32.6	2
North Dakota	163	228	39.9	1

Sources: 1970 – Employment and Training Report of the President, 1978 Table D-1, Page 278.

1978 – Employment and Training Report of the President, 1979 – Table D-1, Pages 334-335.

TABLE 9
MINNESOTA GROSS RETAIL SALES FOR 1972 THROUGH 1978
(000's Omitted)

Year	Dollar Volume	% Change
1972	$ 8,191,628	–
1973	9,586,142	17.0
1974	11,157,737	16.4
1975	11,500,081	3.1
1976	12,761,468	11.0
1977	14,205,957	11.3
1978	15,880,215	11.8
	Average Compound Rate	11.7

Source: MN Department of Economic Development, Sales and Use Tax Data, 1978.

TABLE 10

MINNESOTA GROSS RETAIL SALES BY TYPE FOR 1977 AND 1978
(000's Omitted)

	1977	1978	% Increase
Hardware – Building Materials	$ 1,665,929	$ 1,888,539	13.4
Retail – General Merchandise	2,033,791	2,155,779	6.0
Food Stores	2,369,227	2,559,301	8.0
Auto Dealers – Gas Stations	3,647,347	4,129,582	13.2
Apparel Stores	402,179	453,057	12.7
Furniture Stores	728,698	801,605	10.0
Eating and Drinking Places	1,181,429	1,338,571	13.3
Other Retail Stores	2,177,357	2,553,781	17.3
Total	**$14,205,957**	**$15,880,215**	**11.8**

Source: MN Department of Economic Development, Sales and Use Tax Data.

TABLE 11

MINNESOTA AND U.S. UNEMPLOYMENT RATES FOR 1978 AND FIRST SEVEN MONTHS OF 1979

	Month	Minnesota	U.S.	Difference
1978	January	5.3	7.0	1.6
	February	5.0	6.9	1.9
	March	4.1	6.6	2.5
	April	3.9	5.8	1.9
	May	3.6	5.5	1.9
	June	3.9	6.2	2.3
	July	3.6	6.3	2.7
	August	3.2	5.8	2.6
	September	2.9	5.7	2.8
	October	2.8	5.4	2.6
	November	3.5	5.5	2.0
	December	4.0	5.6	1.6
	Annual Average	**3.8**	**6.0**	
1979	January	4.8	6.4	1.6
	February	4.5	6.4	1.9
	March	4.2	6.1	1.9
	April	4.0	5.5	1.5
	May	3.6	5.2	1.6
	June	3.8	6.0	2.2
	July	3.6	5.8	2.2

Source: Revised Unpublished Non-Seasonally Adjusted Employment Data provided by MN Department of Economic Security.